To reform the postal laws of the United States.

IN THE SENATE OF THE UNITED STATES

MARCH 17, 2005

Ms. Collins (for herself, Mr. Carper, and Mr. Voinovich) introduced the following bill; which was read twice and referred to the Committee on Homeland Security and Governmental Affairs

A BILL

To reform the postal laws of the United States.

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Postal Accountability and Enhancement Act”.

(b) Table of Contents.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—DEFINITIONS; POSTAL SERVICES

Sec. 101. Definitions.
Sec. 102. Postal services.

TITLE II—MODERN RATE REGULATION

Sec. 201. Provisions relating to market-dominant products.
Sec. 204. Reporting requirements and related provisions.
Sec. 205. Complaints; appellate review and enforcement.
Sec. 206. Clerical amendment.

TITLE III—MODERN SERVICE STANDARDS

Sec. 301. Establishment of modern service standards.
Sec. 302. Postal service plan.

TITLE IV—PROVISIONS RELATING TO FAIR COMPETITION

Sec. 401. Postal Service Competitive Products Fund.
Sec. 402. Assumed Federal income tax on competitive products income.
Sec. 403. Unfair competition prohibited.
Sec. 404. Suits by and against the Postal Service.
Sec. 405. International postal arrangements.

TITLE V—GENERAL PROVISIONS

Sec. 501. Qualification and term requirements for Governors.
Sec. 502. Obligations.
Sec. 503. Private carriage of letters.
Sec. 504. Rulemaking authority.
Sec. 505. Noninterference with collective bargaining agreements.
Sec. 506. Bonus authority.

TITLE VI—ENHANCED REGULATORY COMMISSION

Sec. 601. Reorganization and modification of certain provisions relating to the Postal Regulatory Commission.
Sec. 602. Authority for Postal Regulatory Commission to issue subpoenas.
Sec. 603. Appropriations for the Postal Regulatory Commission.
Sec. 604. Redesignation of the Postal Rate Commission.
Sec. 605. Financial transparency.

TITLE VII—EVALUATIONS

Sec. 701. Assessments of ratemaking, classification, and other provisions.
Sec. 702. Report on universal postal service and the postal monopoly.
Sec. 703. Study on equal application of laws to competitive products.
Sec. 704. Report on postal workplace safety and workplace-related injuries.
Sec. 705. Study on recycled paper.

TITLE VIII—POSTAL SERVICE RETIREMENT AND HEALTH BENEFITS FUNDING

Sec. 801. Short title.
Sec. 802. Civil Service Retirement System.
Sec. 803. Health insurance.
Sec. 804. Repeal of disposition of savings provision.
Sec. 805. Effective dates.

TITLE IX—COMPENSATION FOR WORK INJURIES

Sec. 901. Temporary disability; continuation of pay.
Sec. 902. Disability retirement for postal employees.
TITLE X—MISCELLANEOUS

Sec. 1001. Employment of postal police officers.
Sec. 1002. Expanded contracting authority.
Sec. 1004. Sense of Congress regarding Postal Service purchasing reform.

TITLE I—DEFINITIONS; POSTAL SERVICES

SEC. 101. DEFINITIONS.

Section 102 of title 39, United States Code, is amended by striking “and” at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting a semicolon, and by adding at the end the following:

“(5) ‘postal service’ refers to the physical delivery of letters, printed matter, or packages weighing up to 70 pounds, including physical acceptance, collection, sorting, transportation, or other functions ancillary thereto;

“(6) ‘product’ means a postal service with a distinct cost or market characteristic for which a rate or rates are applied;

“(7) ‘rates’, as used with respect to products, includes fees for postal services;

“(8) ‘market-dominant product’ or ‘product in the market-dominant category of mail’ means a product subject to subchapter I of chapter 36; and
“(9) ‘competitive product’ or ‘product in the competitive category of mail’ means a product subject to subchapter II of chapter 36; and

“(10) ‘year’, as used in chapter 36 (other than subchapters I and VI thereof), means a fiscal year.”.

SEC. 102. POSTAL SERVICES.

(a) IN GENERAL.—Section 404 of title 39, United States Code, is amended—

(1) in subsection (a), by striking paragraph (6) and by redesignating paragraphs (7) through (9) as paragraphs (6) through (8), respectively; and

(2) by adding at the end the following:

“(c) Except as provided in section 411, nothing in this title shall be considered to permit or require that the Postal Service provide any special nonpostal or similar services.”.


(2) Section 2003(b)(1) of title 39, United States Code, is amended by striking “and nonpostal”.
TITLE II—MODERN RATE REGULATION

SEC. 201. PROVISIONS RELATING TO MARKET-DOMINANT PRODUCTS.

(a) In General.—Chapter 36 of title 39, United States Code, is amended by striking sections 3621 and 3622 and inserting the following:

“§ 3621. Applicability; definitions

“(a) Applicability.—This subchapter shall apply with respect to—

“(1) first-class mail letters and sealed parcels;
“(2) first-class mail cards;
“(3) periodicals;
“(4) standard mail;
“(5) single-piece parcel post;
“(6) media mail;
“(7) bound printed matter;
“(8) library mail;
“(9) special services; and
“(10) single-piece international mail,

subject to any changes the Postal Regulatory Commission may make under section 3642.

“(b) Rule of Construction.—Mail matter referred to in subsection (a) shall, for purposes of this sub-
chapter, be considered to have the meaning given to such
mail matter under the mail classification schedule.

“§ 3622. Modern rate regulation

“(a) Authority Generally.—The Postal Regulatory Commission shall, within 12 months after the date of enactment of this section, by regulation establish (and may from time to time thereafter by regulation revise) a modern system for regulating rates and classes for market-dominant products.

“(b) Objectives.—Such system shall be designed to achieve the following objectives:

“(1) To reduce the administrative burden and increase the transparency of the ratemaking process while affording reasonable opportunities for interested parties to participate in that process.

“(2) To create predictability and stability in rates.

“(3) To maximize incentives to reduce costs and increase efficiency.

“(4) To enhance mail security and deter terrorism by promoting secure, sender-identified mail.

“(5) To allow the Postal Service pricing flexibility, including the ability to use pricing to promote intelligent mail and encourage increased mail volume during nonpeak periods.
“(6) To assure adequate revenues, including retained earnings, to maintain financial stability and meet the service standards established under section 3691.

“(7) To allocate the total institutional costs of the Postal Service equitably between market-dominant and competitive products.

“(c) FACTORS.—In establishing or revising such system, the Postal Regulatory Commission shall take into account—

“(1) the establishment and maintenance of a fair and equitable schedule for rates and classification system;

“(2) the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery;

“(3) the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to each class or type of mail service plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;
“(4) the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;

“(5) the available alternative means of sending and receiving letters and other mail matter at reasonable costs;

“(6) the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;

“(7) simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services;

“(8) the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;

“(9) the importance of providing classifications with extremely high degrees of reliability and speed of delivery and of providing those that do not require high degrees of reliability and speed of delivery;
“(10) the desirability of special classifications from the point of view of both the user and of the Postal Service;

“(11) the educational, cultural, scientific, and informational value to the recipient of mail matter;

“(12) the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable, universal postal service; and

“(13) the policies of this title as well as such other factors as the Commission determines appropriate.

“(d) REQUIREMENTS.—

“(1) IN GENERAL.—The system for regulating rates and classes for market-dominant products shall—

“(A) require the Postal Regulatory Commission to set annual limitations on the percentage changes in rates based on the Consumer Price Index for All Urban Consumers unadjusted for seasonal variation over the 12-month period preceding the date the Postal Service proposes to increase rates;
“(B) establish a schedule whereby rates, when necessary and appropriate, would change at regular intervals by predictable amounts;

“(C) not later than 45 days before the implementation of any adjustment in rates under this section—

“(i) require the Postal Service to provide public notice of the adjustment;

“(ii) provide an opportunity for review by the Postal Regulatory Commission;

“(iii) provide for the Postal Regulatory Commission to notify the Postal Service of any noncompliance of the adjustment with the limitation under subparagraph (A); and

“(iv) require the Postal Service to respond to the notice provided under clause (iii) and describe the actions to be taken to comply with the limitation under subparagraph (A); and

“(D) notwithstanding any limitation set under subparagraphs (A) and (C), establish procedures whereby rates may be adjusted on an expedited basis due to unexpected and extraordinary circumstances.
“(2) LIMITATIONS.—

“(A) CLASSES OF MAIL.—The annual limitations under paragraph (1)(A) shall apply to a class of mail, as defined in the Domestic Mail Classification Schedule as in effect on the date of enactment of the Postal Accountability and Enhancement Act.

“(B) ROUNDING OF RATES AND FEES.—Nothing in this subsection shall preclude the Postal Service from rounding rates and fees to the nearest whole integer, if the effect of such rounding does not cause the overall rate increase for any class to exceed the Consumer Price Index for All Urban Consumers.

“(e) WORKSHARE DISCOUNTS.—

“(1) DEFINITION.—In this subsection, the term ‘workshare discount’ refers to rate discounts provided to mailers for the presorting, prebarcoding, handling, or transportation of mail, as further defined by the Postal Regulatory Commission under subsection (a).

“(2) REGULATIONS.—As part of the regulations established under subsection (a), the Postal Regulatory Commission shall establish rules for workshare discounts that ensure that such discounts
do not exceed the cost that the Postal Service avoids as a result of workshare activity, unless—

“(A) the discount is—

“(i) associated with a new postal service, a change to an existing postal service, or with a new workshare initiative related to an existing postal service; and

“(ii) necessary to induce mailer behavior that furthers the economically efficient operation of the Postal Service and the portion of the discount in excess of the cost that the Postal Service avoids as a result of the workshare activity will be phased out over a limited period of time;

“(B) a reduction in the discount would—

“(i) lead to a loss of volume in the affected category or subclass of mail and reduce the aggregate contribution to the institutional costs of the Postal Service from the category or subclass subject to the discount below what it otherwise would have been if the discount had not been reduced to costs avoided;
“(ii) result in a further increase in the rates paid by mailers not able to take advantage of the discount; or

“(iii) impede the efficient operation of the Postal Service;

“(C) the amount of the discount above costs avoided—

“(i) is necessary to mitigate rate shock; and

“(ii) will be phased out over time; or

“(D) the discount is provided in connection with subclasses of mail consisting exclusively of mail matter of educational, cultural, scientific, or informational value.

“(3) REPORT.—Whenever the Postal Service establishes or maintains a workshare discount, the Postal Service shall, at the time it publishes the workshare discount rate, submit to the Postal Regulatory Commission a detailed report that—

“(A) explains the Postal Service’s reasons for establishing or maintaining the rate;

“(B) sets forth the data, economic analyses, and other information relied on by the Postal Service to justify the rate; and
“(C) certifies that the discount will not adverse
versely affect rates or services provided to users
of postal services who do not take advantage of
the discount rate.

“(f) TRANSITION RULE.—Until regulations under
this section first take effect, rates and classes for market-
dominant products shall remain subject to modification in
accordance with the provisions of this chapter and section
407, as such provisions were last in effect before the date
of enactment of this section.”.

(b) REPEALED SECTIONS.—Sections 3623, 3624,
3625, and 3628 of title 39, United States Code, are re-
pealed.

(c) REDESIGNATION.—Chapter 36 of title 39, United
States Code (as in effect after the amendment made by
section 601, but before the amendment made by section
202) is amended by striking the heading for subchapter
II and inserting the following:

“SUBCHAPTER I—PROVISIONS RELATING TO
MARKET-DOMINANT PRODUCTS”.

SEC. 202. PROVISIONS RELATING TO COMPETITIVE PROD-
UCTS.

Chapter 36 of title 39, United States Code, is amend-
ed by inserting after section 3629 the following:
‘SUBCHAPTER II—PROVISIONS RELATING TO
COMPETITIVE PRODUCTS

§ 3631. Applicability; definitions and updates

(a) Applicability.—This subchapter shall apply
with respect to—

(1) priority mail;
(2) expedited mail;
(3) bulk parcel post;
(4) bulk international mail; and
(5) mailgrams;

subject to subsection (d) and any changes the Postal Reg-
ulatory Commission may make under section 3642.

(b) Definition.—For purposes of this subchapter,
the term ‘costs attributable’, as used with respect to a
product, means the direct and indirect postal costs attrib-
utable to such product.

(c) Rule of Construction.—Mail matter re-
ferred to in subsection (a) shall, for purposes of this sub-
chapter, be considered to have the meaning given to such
mail matter under the mail classification schedule.

(d) Limitation.—Notwithstanding any other provi-
sion of this section, nothing in this subchapter shall be
considered to apply with respect to any product then cur-
rently in the market-dominant category of mail.
§ 3632. Action of the Governors

(a) Authority To Establish Rates and Classes.—The Governors, with the written concurrence of a majority of all of the Governors then holding office, shall establish rates and classes for products in the competitive category of mail in accordance with the requirements of this subchapter and regulations promulgated under section 3633.

(b) Procedures.—

(1) In General.—Rates and classes shall be established in writing, complete with a statement of explanation and justification, and the date as of which each such rate or class takes effect.

(2) Public Notice; Review; and Compliance.—Not later than 30 days before the date of implementation of any adjustment in rates under this section—

(A) the Governors shall provide public notice of the adjustment and an opportunity for review by the Postal Regulatory Commission;

(B) the Postal Regulatory Commission shall notify the Governors of any noncompliance of the adjustment with section 3633; and

(C) the Governors shall respond to the notice provided under subparagraph (B) and
describe the actions to be taken to comply with section 3633.

“(c) Transition Rule.—Until regulations under section 3633 first take effect, rates and classes for competitive products shall remain subject to modification in accordance with the provisions of this chapter and section 407, as such provisions were as last in effect before the date of enactment of this section.

“§ 3633. Provisions applicable to rates for competitive products

“(a) In General.—The Postal Regulatory Commission shall, within 180 days after the date of enactment of this section, promulgate (and may from time to time thereafter revise) regulations to—

“(1) prohibit the subsidization of competitive products by market-dominant products;

“(2) ensure that each competitive product covers its costs attributable; and

“(3) ensure that all competitive products collectively cover their share of the institutional costs of the Postal Service.

“(b) Review of Minimum Contribution.—Five years after the date of enactment of this section, and every 5 years thereafter, the Postal Regulatory Commission shall conduct a review to determine whether the institu-
tional costs contribution requirement under subsection (a)(3) should be retained in its current form, modified, or eliminated. In making its determination, the Commission shall consider all relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products.”

SEC. 203. PROVISIONS RELATING TO EXPERIMENTAL AND NEW PRODUCTS.

Subchapter III of chapter 36 of title 39, United States Code, is amended to read as follows:

“SUBCHAPTER III—PROVISIONS RELATING TO EXPERIMENTAL AND NEW PRODUCTS

§3641. Market tests of experimental products

“(a) Authority.—

“(1) In general.—The Postal Service may conduct market tests of experimental products in accordance with this section.

“(2) Provisions waived.—A product shall not, while it is being tested under this section, be subject to the requirements of sections 3622, 3633, or 3642, or regulations promulgated under those sections.

“(b) Conditions.—A product may not be tested under this section unless it satisfies each of the following:
“(1) SignificantlY Different product.—
The product is, from the viewpoint of the mail users,
significantly different from all products offered by
the Postal Service within the 2-year period preceding
the start of the test.

“(2) Market disruption.—The introduction
or continued offering of the product will not create
an unfair or otherwise inappropriate competitive ad-

cantage for the Postal Service or any mailer, par-
ticularly in regard to small business concerns (as de-
defined under subsection (h)).

“(3) Correct categorization.—The Postal
Service identifies the product, for the purpose of a
test under this section, as either market-dominant or
competitive, consistent with the criteria under sec-
tion 3642(b)(1). Costs and revenues attributable to
a product identified as competitive shall be included
in any determination under section 3633(3)(relating
to provisions applicable to competitive products col-
lectively). Any test that solely affects products cur-
rently classified as competitive, or which provides
services ancillary to only competitive products, shall
be presumed to be in the competitive product cat-
egory without regard to whether a similar ancillary
product exists for market-dominant products.
“(c) Notice.—

“(1) In General.—At least 30 days before initiating a market test under this section, the Postal Service shall file with the Postal Regulatory Commission and publish in the Federal Register a notice—

“(A) setting out the basis for the Postal Service’s determination that the market test is covered by this section; and

“(B) describing the nature and scope of the market test.

“(2) Safeguards.—For a competitive experimental product, the provisions of section 504(g) shall be available with respect to any information required to be filed under paragraph (1) to the same extent and in the same manner as in the case of any matter described in section 504(g)(1). Nothing in paragraph (1) shall be considered to permit or require the publication of any information as to which confidential treatment is accorded under the preceding sentence (subject to the same exception as set forth in section 504(g)(3)).

“(d) Duration.—
“(1) IN GENERAL.—A market test of a product under this section may be conducted over a period of not to exceed 24 months.

“(2) EXTENSION AUTHORITY.—If necessary in order to determine the feasibility or desirability of a product being tested under this section, the Postal Regulatory Commission may, upon written application of the Postal Service (filed not later than 60 days before the date as of which the testing of such product would otherwise be scheduled to terminate under paragraph (1)), extend the testing of such product for not to exceed an additional 12 months.

“(e) DOLLAR-AMOUNT LIMITATION.—

“(1) IN GENERAL.—A product may only be tested under this section if the total revenues that are anticipated, or in fact received, by the Postal Service from such product do not exceed $10,000,000 in any year, subject to paragraph (2) and subsection (g).

“(2) EXEMPTION AUTHORITY.—The Postal Regulatory Commission may, upon written application of the Postal Service, exempt the market test from the limit in paragraph (1) if the total revenues that are anticipated, or in fact received, by the Postal Service from such product do not exceed
$50,000,000 in any year, subject to subsection (g).

In reviewing an application under this paragraph, the Postal Regulatory Commission shall approve such application if it determines that—

“(A) the product is likely to benefit the public and meet an expected demand;

“(B) the product is likely to contribute to the financial stability of the Postal Service; and

“(C) the product is not likely to result in unfair or otherwise inappropriate competition.

“(f) CANCELLATION.—If the Postal Regulatory Commission at any time determines that a market test under this section fails to meet 1 or more of the requirements of this section, it may order the cancellation of the test involved or take such other action as it considers appropriate. A determination under this subsection shall be made in accordance with such procedures as the Commission shall by regulation prescribe.

“(g) ADJUSTMENT FOR INFLATION.—For purposes of each year following the year in which occurs the deadline for the Postal Service’s first report to the Postal Regulatory Commission under section 3652(a), each dollar amount contained in this section shall be adjusted by the change in the Consumer Price Index for such year (as determined under regulations of the Commission).
“(h) Definition of a Small Business Concern.—The criteria used in defining small business concerns or otherwise categorizing business concerns as small business concerns shall, for purposes of this section, be established by the Postal Regulatory Commission in conformance with the requirements of section 3 of the Small Business Act.

“(i) Effective Date.—Market tests under this subchapter may be conducted in any year beginning with the first year in which occurs the deadline for the Postal Service’s first report to the Postal Regulatory Commission under section 3652(a).

“§3642. New products and transfers of products between the market-dominant and competitive categories of mail

“(a) In General.—Upon request of the Postal Service or users of the mails, or upon its own initiative, the Postal Regulatory Commission may change the list of market-dominant products under section 3621 and the list of competitive products under section 3631 by adding new products to the lists, removing products from the lists, or transferring products between the lists.

“(b) Criteria.—All determinations by the Postal Regulatory Commission under subsection (a) shall be made in accordance with the following criteria:
“(1) The market-dominant category of products shall consist of each product in the sale of which the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing substantial business to other firms offering similar products. The competitive category of products shall consist of all other products.

“(2) EXCLUSION OF PRODUCTS COVERED BY POSTAL MONOPOLY.—A product covered by the postal monopoly shall not be subject to transfer under this section from the market-dominant category of mail. For purposes of the preceding sentence, the term ‘product covered by the postal monopoly’ means any product the conveyance or transmission of which is reserved to the United States under section 1696 of title 18, subject to the same exception as set forth in the last sentence of section 409(e)(1).

“(3) ADDITIONAL CONSIDERATIONS.—In making any decision under this section, due regard shall be given to—

“(A) the availability and nature of enterprises in the private sector engaged in the delivery of the product involved;
“(B) the views of those who use the product involved on the appropriateness of the proposed action; and

“(C) the likely impact of the proposed action on small business concerns (within the meaning of section 3641(h)).

“(c) Transfers of Subclasses and Other Subordinate Units Allowable.—Nothing in this title shall be considered to prevent transfers under this section from being made by reason of the fact that they would involve only some (but not all) of the subclasses or other subordinate units of the class of mail or type of postal service involved (without regard to satisfaction of minimum quantity requirements standing alone).

“(d) Notification and Publication Requirements.—

“(1) Notification Requirement.—The Postal Service shall, whenever it requests to add a product or transfer a product to a different category, file with the Postal Regulatory Commission and publish in the Federal Register a notice setting out the basis for its determination that the product satisfies the criteria under subsection (b) and, in the case of a request to add a product or transfer a product to the competitive category of mail, that the product
meets the regulations promulgated by the Postal Regulatory Commission under section 3633. The provisions of section 504(g) shall be available with respect to any information required to be filed.

“(2) PUBLICATION REQUIREMENT.—The Postal Regulatory Commission shall, whenever it changes the list of products in the market-dominant or competitive category of mail, prescribe new lists of products. The revised lists shall indicate how and when any previous lists (including the lists under sections 3621 and 3631) are superseded, and shall be published in the Federal Register.

“(e) PROHIBITION.—Except as provided in section 3641, no product that involves the physical delivery of letters, printed matter, or packages may be offered by the Postal Service unless it has been assigned to the market-dominant or competitive category of mail (as appropriate) either—

“(1) under this subchapter; or

“(2) by or under any other provision of law.”.

SEC. 204. REPORTING REQUIREMENTS AND RELATED PROVISIONS.

(a) REDESIGNATION.—Chapter 36 of title 39, United States Code (as in effect before the amendment made by subsection (b)) is amended—
(1) by striking the heading for subchapter IV and inserting the following:

“SUBCHAPTER V—POSTAL SERVICES,
COMPLAINTS, AND JUDICIAL REVIEW”; and

(2) by striking the heading for subchapter V and inserting the following:

“SUBCHAPTER VI—GENERAL”.

(b) REPORTS AND COMPLIANCE.—Chapter 36 of title 39, United States Code, is amended by inserting after subchapter III the following:

“SUBCHAPTER IV—REPORTING REQUIREMENTS AND RELATED PROVISIONS

§3651. Annual reports by the Commission

“(a) IN GENERAL.—The Postal Regulatory Commission shall submit an annual report to the President and the Congress concerning the operations of the Commission under this title, including the extent to which regulations are achieving the objectives under sections 3622, 3633, and 3691.

“(b) INFORMATION FROM POSTAL SERVICE.—The Postal Service shall provide the Postal Regulatory Commission with such information as may, in the judgment of the Commission, be necessary in order for the Commission to prepare its reports under this section.
§ 3652. Annual reports to the Commission

“(a) Costs, Revenues, Rates, and Service.—Except as provided in subsection (c), the Postal Service shall, no later than 90 days after the end of each year, prepare and submit to the Postal Regulatory Commission a report (together with such nonpublic annex to the report as the Commission may require under subsection (e))—

“(1) which shall analyze costs, revenues, rates, and quality of service in sufficient detail to demonstrate that all products during such year complied with all applicable requirements of this title; and

“(2) which shall, for each market-dominant product provided in such year, provide—

“(A) product information, including mail volumes; and

“(B) measures of the service afforded by the Postal Service in connection with such product, including—

“(i) the level of service (described in terms of speed of delivery and reliability) provided; and

“(ii) the degree of customer satisfaction with the service provided.

Before submitting a report under this subsection (including any annex to the report and the information required under subsection (b)), the Postal Service...
shall have the information contained in such report
(and annex) audited by the Inspector General. The
results of any such audit shall be submitted along
with the report to which it pertains.

“(b) INFORMATION RELATING TO WORKSHARE DIS-
COUNTS.—The Postal Service shall include, in each report
under subsection (a), the following information with re-
spect to each market-dominant product for which a
workshare discount was in effect during the period covered
by such report:

“(1) The per-item cost avoided by the Postal
Service by virtue of such discount.

“(2) The percentage of such per-item cost
avoided that the per-item workshare discount rep-
resents.

“(3) The per-item contribution made to institu-
tional costs.

“(c) SERVICE AGREEMENTS AND MARKET TESTS.—
In carrying out subsections (a) and (b) with respect to
service agreements and experimental products offered
through market tests under section 3641 in a year, the
Postal Service—

“(1) may report summary data on the costs,
revenues, and quality of service by service agreement
and market test; and
“(2) shall report such data as the Postal Regulatory Commission requires.

“(d) SUPPORTING MATTER.—The Postal Regulatory Commission shall have access, in accordance with such regulations as the Commission shall prescribe, to the working papers and any other supporting matter of the Postal Service and the Inspector General in connection with any information submitted under this section.

“(e) CONTENT AND FORM OF REPORTS.—

“(1) IN GENERAL.—The Postal Regulatory Commission shall, by regulation, prescribe the content and form of the public reports (and any non-public annex and supporting matter relating to the report) to be provided by the Postal Service under this section. In carrying out this subsection, the Commission shall give due consideration to—

“(A) providing the public with timely, adequate information to assess the lawfulness of rates charged;

“(B) avoiding unnecessary or unwarranted administrative effort and expense on the part of the Postal Service; and

“(C) protecting the confidentiality of commercially sensitive information.
“(2) Revised Requirements.—The Commission may, on its own motion or on request of an interested party, initiate proceedings (to be conducted in accordance with regulations that the Commission shall prescribe) to improve the quality, accuracy, or completeness of Postal Service data required by the Commission under this subsection whenever it shall appear that—

“(A) the attribution of costs or revenues to products has become significantly inaccurate or can be significantly improved;

“(B) the quality of service data has become significantly inaccurate or can be significantly improved; or

“(C) such revisions are, in the judgment of the Commission, otherwise necessitated by the public interest.

“(f) Confidential Information.—

“(1) In General.—If the Postal Service determines that any document or portion of a document, or other matter, which it provides to the Postal Regulatory Commission in a nonpublic annex under this section or under subsection (d) contains information which is described in section 410(c) of this title, or exempt from public disclosure under section 552(b)
of title 5, the Postal Service shall, at the time of
providing such matter to the Commission, notify the
Commission of its determination, in writing, and de-
scribe with particularity the documents (or portions
of documents) or other matter for which confiden-
tiality is sought and the reasons therefor.

“(2) TREATMENT.—Any information or other
matter described in paragraph (1) to which the
Commission gains access under this section shall be
subject to paragraphs (2) and (3) of section 504(g)
in the same way as if the Commission had received
notification with respect to such matter under sec-
tion 504(g)(1).

“(g) OTHER REPORTS.—The Postal Service shall
submit to the Postal Regulatory Commission, together
with any other submission that the Postal Service is re-
quired to make under this section in a year, copies of its
then most recent—

“(1) comprehensive statement under section
2401(e);

“(2) strategic plan under section 2802;

“(3) performance plan under section 2803; and

“(4) program performance reports under sec-
tion 2804.
§ 3653. Annual determination of compliance

(a) Opportunity for Public Comment.—After receiving the reports required under section 3652 for any year, the Postal Regulatory Commission shall promptly provide an opportunity for comment on such reports by users of the mails, affected parties, and an officer of the Commission who shall be required to represent the interests of the general public.

(b) Determination of Compliance or Non-compliance.—Not later than 90 days after receiving the submissions required under section 3652 with respect to a year, the Postal Regulatory Commission shall make a written determination as to—

(1) whether any rates or fees in effect during such year (for products individually or collectively) were not in compliance with applicable provisions of this chapter (or regulations promulgated thereunder); or

(2) whether any service standards in effect during such year were not met.

If, with respect to a year, no instance of noncompliance is found under this subsection to have occurred in such year, the written determination shall be to that effect.

(c) If Any Noncompliance Is Found.—If, for a year, a timely written determination of noncompliance is made under subsection (b), the Postal Regulatory Com-
mission shall take any appropriate remedial action authorized by section 3662(c).

“(d) Rebutable Presumption.—A timely written determination described in the last sentence of subsection (b) shall, for purposes of any proceeding under section 3662, create a rebuttable presumption of compliance by the Postal Service (with regard to the matters described under paragraphs (1) and (2) of subsection (b)) during the year to which such determination relates.”.

SEC. 205. COMPLAINTS; APPELLATE REVIEW AND ENFORCEMENT.

Chapter 36 of title 39, United States Code, is amended by striking sections 3662 and 3663 and inserting the following:

“§3662. Rate and service complaints

“(a) In General.—Any person (including an officer of the Postal Regulatory Commission representing the interests of the general public) who believes the Postal Service is not operating in conformance with the requirements of chapter 1, 4, or 6, or this chapter (or regulations promulgated under any of those chapters) may lodge a complaint with the Postal Regulatory Commission in such form and manner as the Commission may prescribe.

“(b) Prompt Response Required.—
“(1) IN GENERAL.—The Postal Regulatory Commission shall, within 90 days after receiving a complaint under subsection (a), either—

“(A) begin proceedings on such complaint;

or

“(B) issue an order dismissing the complaint (together with a statement of the reasons therefor).

“(2) TREATMENT OF COMPLAINTS NOT TIMELY ACTED ON.—For purposes of section 3663, any complaint under subsection (a) on which the Commission fails to act in the time and manner required by paragraph (1) shall be treated in the same way as if it had been dismissed under an order issued by the Commission on the last day allowable for the issuance of such order under paragraph (1).

“(c) ACTION REQUIRED IF COMPLAINT FOUND TO BE JUSTIFIED.—If the Postal Regulatory Commission finds the complaint to be justified, it shall order that the Postal Service take such action as the Commission considers appropriate in order to achieve compliance with the applicable requirements and to remedy the effects of any nonecompliance including ordering unlawful rates to be adjusted to lawful levels, ordering the cancellation of market tests, ordering the Postal Service to discontinue providing
loss-making products, and requiring the Postal Service to make up for revenue shortfalls in competitive products.

“(d) Authority to Order Fines in Cases of Deliberate Noncompliance.—In addition, in cases of deliberate noncompliance by the Postal Service with the requirements of this title, the Postal Regulatory Commission may order, based on the nature, circumstances, extent, and seriousness of the noncompliance, a fine (in the amount specified by the Commission in its order) for each incidence of noncompliance. Fines resulting from the provision of competitive products shall be paid out of the Competitive Products Fund established in section 2011. All receipts from fines imposed under this subsection shall be deposited in the general fund of the Treasury of the United States.

“§3663. Appellate review

“A person, including the Postal Service, adversely affected or aggrieved by a final order or decision of the Postal Regulatory Commission may, within 30 days after such order or decision becomes final, institute proceedings for review thereof by filing a petition in the United States Court of Appeals for the District of Columbia. The court shall review the order or decision in accordance with section 706 of title 5, and chapter 158 and section 2112 of title 28, on the basis of the record before the Commission.
§ 3664. Enforcement of orders

"The several district courts have jurisdiction specifically to enforce, and to enjoin and restrain the Postal Service from violating, any order issued by the Postal Regulatory Commission."

SEC. 206. CLERICAL AMENDMENT.

Chapter 36 of title 39, United States Code, is amended by striking the heading and analysis for such chapter and inserting the following:

"CHAPTER 36—POSTAL RATES, CLASSES, AND SERVICES

"SUBCHAPTER I—PROVISIONS RELATING TO MARKET-DOMINANT PRODUCTS

"3621. Applicability; definitions.
"3622. Modern rate regulation.
"3623. Repealed.
"3624. Repealed.
"3625. Repealed.
"3626. Reduced Rates.
"3627. Adjusting free rates.
"3628. Repealed.
"3629. Reduced rates for voter registration purposes.

"SUBCHAPTER II—PROVISIONS RELATING TO COMPETITIVE PRODUCTS

"3631. Applicability; definitions and updates.
"3633. Provisions applicable to rates for competitive products.
"3634. Assumed Federal income tax on competitive products.

"SUBCHAPTER III—PROVISIONS RELATING TO EXPERIMENTAL AND NEW PRODUCTS

"3641. Market tests of experimental products.
"3642. New products and transfers of products between the market-dominant and competitive categories of mail.

"SUBCHAPTER IV—REPORTING REQUIREMENTS AND RELATED PROVISIONS

"3651. Annual reports by the Commission.
"3652. Annual reports to the Commission.
"3653. Annual determination of compliance.
“SUBCHAPTER V—POSTAL SERVICES, COMPLAINTS, AND JUDICIAL REVIEW

“3661. Postal Services.
“3662. Rate and service complaints.
“3663. Appellate review.
“3664. Enforcement of orders.

“SUBCHAPTER VI—GENERAL

“3681. Reimbursement.
“3682. Size and weight limits.
“3683. Uniform rates for books; films, other materials.
“3684. Limitations.
“3685. Filing of information relating to periodical publications.
“3686. Bonus authority.

“SUBCHAPTER VII—MODERN SERVICE STANDARDS

“3691. Establishment of modern service standards.”.

TITLE III—MODERN SERVICE STANDARDS

SEC. 301. ESTABLISHMENT OF MODERN SERVICE STANDARDS.

Chapter 36 of title 39, United States Code, as amended by this Act, is further amended by adding at the end the following:

“SUBCHAPTER VII—MODERN SERVICE STANDARDS

§ 3691. Establishment of modern service standards

“(a) Authority Generally.—Not later than 12 months after the date of enactment of this section, the Postal Service shall, in consultation with the Postal Regulatory Commission, by regulation establish (and may from time to time thereafter by regulation revise) a set of service standards for market-dominant products consistent
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1 with the Postal Service’s universal service obligation as de-
2 fined in sections 101 (a) and (b) and 403.
3 “(b) OBJECTIVES.—Such standards shall be designed
to achieve the following objectives:

“(1) To enhance the value of postal services to
both senders and recipients.

“(2) To preserve regular and effective access to
postal services in all communities, including those in
rural areas or where post offices are not self-sus-
taining.

“(3) To reasonably assure Postal Service cus-
tomers delivery reliability, speed and frequency con-
sistent with reasonable rates and best business prac-
tices.

“(4) To provide a system of objective external
performance measurements for each market-domi-
nant product as a basis for measurement of Postal
Service performance.

“(c) FACTORS.—In establishing or revising such
standards, the Postal Service shall take into account—

“(1) the actual level of service that Postal Serv-
ice customers receive under any service guidelines
previously established by the Postal Service or serv-
ice standards established under this section;
“(2) the degree of customer satisfaction with Postal Service performance in the acceptance, processing and delivery of mail;
“(3) the needs of Postal Service customers, including those with physical impairments;
“(4) mail volume and revenues projected for future years;
“(5) the projected growth in the number of addresses the Postal Service will be required to serve in future years;
“(6) the current and projected future cost of serving Postal Service customers;
“(7) the effect of changes in technology, demographics, and population distribution on the efficient and reliable operation of the postal delivery system; and
“(8) the policies of this title and such other factors as the Commission determines appropriate.
“(d) REVIEW.—The regulations promulgated pursuant to this section (and any revisions thereto) shall be subject to review upon complaint under sections 3662 and 3663.
SEC. 302. POSTAL SERVICE PLAN.
(a) IN GENERAL.—Within 6 months after the establishment of the service standards under section 3691 of
title 39, United States Code, as added by this Act, the
Postal Service shall, in consultation with the Postal Regu-
larly Commission, develop and submit to Congress a plan
for meeting those standards.

(b) CONTENTS.—The plan under this section shall—

(1) establish performance goals;

(2) describe any changes to the Postal Service’s
processing, transportation, delivery, and retail net-
works necessary to allow the Postal Service to meet
the performance goals;

(3) describe any changes to planning and per-
formance management documents previously sub-
mitted to Congress to reflect new performance goals;

and

(4) contain the matters relating to postal facili-
ties provided under subsection (c).

(c) POSTAL FACILITIES.—

(1) FINDINGS.—Congress finds that—

(A) the Postal Service has more than 400
logistics facilities, separate from its post office
network;

(B) as noted by the President’s Commiss-
ion on the United States Postal Service, the
Postal Service has more facilities than it needs
and the streamlining of this distribution net-
work can pave the way for the potential consolidation of sorting facilities and the elimination of excess costs;

(C) the Postal Service has always revised its distribution network to meet changing conditions and is best suited to address its operational needs; and

(D) Congress strongly encourages the Postal Service to—

(i) expeditiously move forward in its streamlining efforts; and

(ii) keep unions, management associations, and local elected officials informed as an essential part of this effort and abide by any procedural requirements contained in the national bargaining agreements.

(2) IN GENERAL.—The Postal Service plan shall include a description of—

(A) the long-term vision of the Postal Service for rationalizing its infrastructure and workforce; and

(B) how the Postal Service intends to implement that vision.

(3) CONTENT OF FACILITIES PLAN.—The plan under this subsection shall include—
(A) a strategy for how the Postal Service intends to rationalize the postal facilities network and remove excess processing capacity and space from the network, including estimated timeframes, criteria, and processes to be used for making changes to the facilities network, and the process for engaging policy makers and the public in related decisions;

(B) a discussion of what impact any facility changes may have on the postal workforce and whether the Postal Service has sufficient flexibility to make needed workforce changes; and

(C) an identification of anticipated costs, cost savings, and other benefits associated with the infrastructure rationalization alternatives discussed in the plan.

(4) ANNUAL REPORTS.—

(A) IN GENERAL.—Not later than 90 days after the end of each fiscal year, the Postal Service shall prepare and submit a report to Congress on how postal decisions have impacted or will impact rationalization plans.

(B) CONTENTS.—Each report under this paragraph shall include—
(i) an account of actions taken during the preceding fiscal year to improve the efficiency and effectiveness of its processing, transportation, and distribution networks while preserving the timely delivery of postal services, including overall estimated costs and cost savings;

(ii) an account of actions taken to identify any excess capacity within its processing, transportation, and distribution networks and implement savings through realignment or consolidation of facilities including overall estimated costs and cost savings;

(iii) an estimate of how postal decisions related to mail changes, security, automation initiatives, worksharing, information technology systems, excess capacity, consolidating and closing facilities, and other areas will impact rationalization plans;

(iv) identification of any statutory or regulatory obstacles that prevented or will prevent or hinder the Postal Service from
taking action to realign or consolidate fa-
cilities; and

(v) such additional topics and rec-
ommendations as the Postal Service con-
siders appropriate.

(d) ALTERNATE RETAIL OPTIONS.—The Postal Serv-
ice plan shall include plans to expand and market retail
access to postal services, in addition to post offices, includ-
ing—

(1) vending machines;

(2) the Internet;

(3) Postal Service employees on delivery routes;

(4) retail facilities in which overhead costs are
shared with private businesses and other government
agencies; or

(5) any other nonpost office access channel pro-
viding market retail access to postal services.

(e) REEMPLOYMENT ASSISTANCE AND RETIREMENT
BENEFITS.—The Postal Service plan shall include—

(1) a plan under which reemployment assis-
tance shall be afforded to employees displaced as a
result of the automation of any of its functions or
the closing and consolidation of any of its facilities;
and
(2) a plan, developed in consultation with the
Office of Personnel Management, to offer early re-
tirement benefits.

(f) INSPECTOR GENERAL REPORT.—

(1) IN GENERAL.—Before submitting the plan
under subsection (a) and each annual report under
subsection (e) to Congress, the Postal Service shall
submit the plan and each annual report to the In-
spector General of the United States Postal Service
in a timely manner to carry out this subsection.

(2) REPORT.—The Inspector General shall pre-
pare a report describing the extent to which the
Postal Service plan and each annual report under
subsection (e)—

(A) are consistent with the continuing obli-
gations of the Postal Service under title 39,
United States Code;

(B) provide for the Postal Service to meet
the service standards established under section
3691 of title 39, United States Code; and

(C) allow progress toward improving over-
all efficiency and effectiveness consistent with
the need to maintain universal postal service at
affordable rates.
(g) CONTINUED AUTHORITY.—Nothing in this section shall be construed to prohibit the Postal Service from implementing any change to its processing, transportation, delivery, and retail networks under any authority granted to the Postal Service for those purposes.

TITLE IV—PROVISIONS RELATING TO FAIR COMPETITION

SEC. 401. POSTAL SERVICE COMPETITIVE PRODUCTS FUND.

(a) Provisions Relating to Postal Service Competitive Products Fund and Related Matters.—

(1) In general.—Chapter 20 of title 39, United States Code, is amended by adding at the end the following:

“§ 2011. Provisions relating to competitive products

“(a)(1) In this subsection, the term ‘costs attributable’ has the meaning given such term by section 3631.

“(2) There is established in the Treasury of the United States a revolving fund, to be called the Postal Service Competitive Products Fund, which shall be available to the Postal Service without fiscal year limitation for the payment of—

“(A) costs attributable to competitive products; and
“(B) all other costs incurred by the Postal Service, to the extent allocable to competitive products.

“(b) There shall be deposited in the Competitive Products Fund, subject to withdrawal by the Postal Service—

“(1) revenues from competitive products;

“(2) amounts received from obligations issued by Postal Service under subsection (e);

“(3) interest and dividends earned on investments of the Competitive Products Fund; and

“(4) any other receipts of the Postal Service (including from the sale of assets), to the extent allocable to competitive products.

“(c) If the Postal Service determines that the moneys of the Competitive Products Fund are in excess of current needs, the Postal Service may request the investment of such amounts as the Postal Service determines advisable by the Secretary of the Treasury in obligations of, or obligations guaranteed by, the Government of the United States, and, with the approval of the Secretary, in such other obligations or securities as the Postal Service determines appropriate.

“(d) With the approval of the Secretary of the Treasury, the Postal Service may deposit moneys of the Com-
petitive Products Fund in any Federal Reserve bank, any
depository for public funds, or in such other places and
in such manner as the Postal Service and the Secretary
may mutually agree.

“(e)(1)(A) Subject to the limitations specified in sec-
tion 2005(a), the Postal Service is authorized to borrow
money and to issue and sell such obligations as the Postal
Service determines necessary to provide for competitive
products and deposit such amounts in the Competitive
Products Fund.

“(B) Subject to paragraph (5), any borrowings by the
Postal Service under subparagraph (A) shall be supported
and serviced by—

“(i) the revenues and receipts from competitive
products and the assets related to the provision of
competitive products (as determined under sub-
section (h)); or

“(ii) for purposes of any period before account-
ing practices and principles under subsection (h)
have been established and applied, the best informa-
tion available from the Postal Service, including the
audited statements required by section 2008(e).

“(2) The Postal Service may enter into binding cov-
enants with the holders of such obligations, and with any
trustee under any agreement entered into in connection
with the issuance of such obligations with respect to—

“(A) the establishment of reserve, sinking, and
other funds;

“(B) application and use of revenues and re-
ceipts of the Competitive Products Fund;

“(C) stipulations concerning the subsequent
issuance of obligations or the execution of leases or
lease purchases relating to properties of the Postal
Service; and

“(D) such other matters as the Postal Service,
considers necessary or desirable to enhance the mar-
ketability of such obligations.

“(3) Obligations issued by the Postal Service under
this subsection—

“(A) shall be in such forms and denominations;
“(B) shall be sold at such times and in such
amounts;

“(C) shall mature at such time or times;
“(D) shall be sold at such prices;
“(E) shall bear such rates of interest;
“(F) may be redeemable before maturity in
such manner, at such times, and at such redemption
premiums;
“(G) may be entitled to such relative priorities of claim on the assets of the Postal Service with respect to principal and interest payments; and

“(H) shall be subject to such other terms and conditions,
as the Postal Service determines.

“(4) Obligations issued by the Postal Service under this subsection—

“(A) shall be negotiable or nonnegotiable and bearer or registered instruments, as specified therein and in any indenture or covenant relating thereto;

“(B) shall contain a recital that such obligations are issued under this subsection, and such recital shall be conclusive evidence of the regularity of the issuance and sale of such obligations and of their validity;

“(C) shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of any officer or agency of the Government of the United States, and the Secretary of the Treasury or any other officer or agency having authority over or control of any such fiduciary, trust, or public funds, may at any time
sell any of the obligations of the Postal Service ac-
quired under this section;

“(D) shall not be exempt either as to principal
or interest from any taxation now or hereafter im-
posed by any State or local taxing authority; and

“(E) except as provided in section 2006(c),
shall not be obligations of, nor shall payment of the
principal thereof or interest thereon be guaranteed
by, the Government of the United States, and the
obligations shall so plainly state.

“(5)(A) Subject to subparagraph (B), the Postal
Service shall make payments of principal, or interest, or
both on obligations issued under this subsection from—

“(i) revenues and receipts from competitive
products and assets related to the provision of com-
petitive products (as determined under subsection
(h)); or

“(ii) for purposes of any period before account-
ing practices and principles under subsection (h)
have been established and applied, the best inform-
ation available, including the audited statements re-
quired by section 2008(e).

“(B) Based on the audited financial statements for
the most recently completed fiscal year, the total assets
of the Competitive Products Fund may not be less than
the amount determined by multiplying—

“(i) the quotient resulting from the total rev-

enue of the Competitive Products Fund divided by
the total revenue of the Postal Service; and

“(ii) the total assets of the Postal Service.

“(f) The receipts and disbursements of the Competi-
tive Products Fund shall be accorded the same budgetary
treatment as is accorded to receipts and disbursements of
the Postal Service Fund under section 2009a.

“(g) A judgment (or settlement of a claim) against
the Postal Service or the Government of the United States
shall be paid out of the Competitive Products Fund to the
extent that the judgment or claim arises out of activities
of the Postal Service in the provision of competitive prod-
ucts.

“(h)(1)(A) The Secretary of the Treasury, in con-
sultation with the Postal Service and an independent, cer-
tified public accounting firm and other advisors as the
Secretary considers appropriate, shall develop rec-
ommendations regarding—

“(i) the accounting practices and principles that
should be followed by the Postal Service with the ob-
jectives of—
“(I) identifying and valuing the assets and
liabilities of the Postal Service associated with
providing competitive products, including the
capital and operating costs incurred by the
Postal Service in providing such competitive
products; and

“(II) subject to subsection (e)(5), pre-
venting the subsidization of such products by
market-dominant products; and

“(ii) the substantive and procedural rules that
should be followed in determining the assumed Fed-
eral income tax on competitive products income of
the Postal Service for any year (within the meaning
of section 3634).

“(B) Not earlier than 6 months after the date of en-
actment of this section, and not later than 12 months
after such date, the Secretary of the Treasury shall submit
the recommendations under subparagraph (A) to the Post-
al Regulatory Commission.

“(2)(A) Upon receiving the recommendations of the
Secretary of the Treasury under paragraph (1), the Com-
mission shall give interested parties, including the Postal
Service, users of the mails, and an officer of the Commis-
sion who shall be required to represent the interests of
the general public, an opportunity to present their views
on those recommendations through submission of written
data, views, or arguments with or without opportunity for
oral presentation, or in such other manner as the Commiss-
ion considers appropriate.

“(B)(i) After due consideration of the views and other
information received under subparagraph (A), the Com-
mission shall by rule—

“(I) provide for the establishment and applica-
tion of the accounting practices and principles which
shall be followed by the Postal Service;

“(II) provide for the establishment and applica-
tion of the substantive and procedural rules de-
scribed under paragraph (1)(A)(ii); and

“(III) provide for the submission by the Postal
Service to the Postal Regulatory Commission of an-
nual and other periodic reports setting forth such in-
formation as the Commission may require.

“(ii) Final rules under this subparagraph shall be
issued not later than 12 months after the date on which
recommendations are submitted under paragraph (1) (or
by such later date on which the Commission and the Post-
al Service may agree). The Commission may revise such
rules.

“(C)(i) Reports described under subparagraph
(B)(i)(III) shall be submitted at such time and in such
form, and shall include such information, as the Commission by rule requires.

“(ii) The Commission may, on its own motion or on request of an interested party, initiate proceedings (to be conducted in accordance with such rules as the Commission shall prescribe) to improve the quality, accuracy, or completeness of Postal Service information under subparagraph (B)(i)(III) whenever it shall appear that—

“(I) the quality of the information furnished in those reports has become significantly inaccurate or can be significantly improved; or

“(II) such revisions are, in the judgment of the Commission, otherwise necessitated by the public interest.

“(D) A copy of each report described under subparagraph (B)(i)(III) shall be submitted by the Postal Service to the Secretary of the Treasury and the Inspector General of the United States Postal Service.

“(i)(1) The Postal Service shall submit an annual report to the Secretary of the Treasury concerning the operation of the Competitive Products Fund. The report shall address such matters as risk limitations, reserve balances, allocation or distribution of moneys, liquidity requirements, and measures to safeguard against losses.
“(2) A copy of the most recent report submitted under paragraph (1) shall be included in the annual report submitted by the Postal Regulatory Commission under section 3652(g).”.

(2) CLERICAL AMENDMENT.—The table of sections for chapter 20 of title 39, United States Code, is amended by adding after the item relating to section 2010 the following:

“2011. Provisions relating to competitive products.”.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) DEFINITION.—Section 2001 of title 39, United States Code, is amended by striking “and” at the end of paragraph (1), by redesignating paragraph (2) as paragraph (3), and by inserting after paragraph (1) the following:

“(2) COMPETITIVE PRODUCTS FUND.—The term ‘Competitive Products Fund’ means the Postal Service Competitive Products Fund established by section 2011; and”.

(2) CAPITAL OF THE POSTAL SERVICE.—Section 2002(b) of title 39, United States Code, is amended by striking “Fund,” and inserting “Fund and the balance in the Competitive Products Fund,”.

(3) POSTAL SERVICE FUND.—
(A) Purposes for which available.—Section 2003(a) of title 39, United States Code, is amended by striking “title.” and inserting “title (other than any of the purposes, functions, or powers for which the Competitive Products Fund is available).”.

(B) Deposits.—Section 2003(b) of title 39, United States Code, is amended by striking “There” and inserting “Except as otherwise provided in section 2011, there”.

(4) Relationship between the Treasury and the Postal Service.—Section 2006 of title 39, United States Code, is amended—

(A) in subsection (a), in the first sentence, by inserting “or 2011” after “section 2005”;

(B) in subsection (b)—

(i) in the first sentence, by inserting “under section 2005” before “in such amounts”; and

(ii) in the second sentence, by inserting “under section 2005” before “in excess of such amount.”; and

(C) in subsection (e), by inserting “or 2011(e)(4)(E)” after “section 2005(d)(5)”.

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SEC. 402. ASSUMED FEDERAL INCOME TAX ON COMPETITIVE PRODUCTS INCOME.

Subchapter II of chapter 36 of title 39, United States Code, as amended by section 202, is amended by adding at the end the following:

“§ 3634. Assumed Federal income tax on competitive products income

“(a) DEFINITIONS.—For purposes of this section—

“(1) the term ‘assumed Federal income tax on competitive products income’ means the net income tax that would be imposed by chapter 1 of the Internal Revenue Code of 1986 on the Postal Service’s assumed taxable income from competitive products for the year; and

“(2) the term ‘assumed taxable income from competitive products’, with respect to a year, refers to the amount representing what would be the taxable income of a corporation under the Internal Revenue Code of 1986 for the year, if—

“(A) the only activities of such corporation were the activities of the Postal Service allocable under section 2011(h) to competitive products; and

“(B) the only assets held by such corporation were the assets of the Postal Service allocable under section 2011(h) to such activities.
“(b) COMPUTATION AND TRANSFER REQUIREMENTS.—The Postal Service shall, for each year beginning with the year in which occurs the deadline for the Postal Service’s first report to the Postal Regulatory Commission under section 3652(a)—

“(1) compute its assumed Federal income tax on competitive products income for such year; and

“(2) transfer from the Competitive Products Fund to the Postal Service Fund the amount of that assumed tax.

“(c) DEADLINE FOR TRANSFERS.—Any transfer required to be made under this section for a year shall be due on or before the January 15th next occurring after the close of such year.”.

SEC. 403. UNFAIR COMPETITION PROHIBITED.

(a) SPECIFIC LIMITATIONS.—Chapter 4 of title 39, United States Code, is amended by adding after section 404 the following:

“§ 404a. Specific limitations

“(a) Except as specifically authorized by law, the Postal Service may not—

“(1) establish any rule or regulation (including any standard) the effect of which is to preclude competition or establish the terms of competition unless the Postal Service demonstrates that the regulation
does not create an unfair competitive advantage for itself or any entity funded (in whole or in part) by the Postal Service;

“(2) compel the disclosure, transfer, or licensing of intellectual property to any third party (such as patents, copyrights, trademarks, trade secrets, and proprietary information); or

“(3) obtain information from a person that provides (or seeks to provide) any product, and then offer any postal service that uses or is based in whole or in part on such information, without the consent of the person providing that information, unless substantially the same information is obtained (or obtainable) from an independent source or is otherwise obtained (or obtainable).

“(b) The Postal Regulatory Commission shall prescribe regulations to carry out this section.

“(c) Any party (including an officer of the Commission representing the interests of the general public) who believes that the Postal Service has violated this section may bring a complaint in accordance with section 3662.”.

(b) CONFORMING AMENDMENTS.—

(1) GENERAL POWERS.—Section 401 of title 39, United States Code, is amended by striking
“The” and inserting “Subject to the provisions of section 404a, the”.

(2) SPECIFIC POWERS.—Section 404(a) of title 39, United States Code, is amended by striking “Without” and inserting “Subject to the provisions of section 404a, but otherwise without”.

(e) CLERICAL AMENDMENT.—The analysis for chapter 4 of title 39, United States Code, is amended by inserting after the item relating to section 404 the following: “404a. Specific limitations.”.

SEC. 404. SUITS BY AND AGAINST THE POSTAL SERVICE.

(a) IN GENERAL.—Section 409 of title 39, United States Code, is amended by striking subsections (d) and (e) and inserting the following:

“(d)(1) For purposes of the provisions of law cited in paragraphs (2)(A) and (2)(B), respectively, the Postal Service—

“(A) shall be considered to be a ‘person’, as used in the provisions of law involved; and

“(B) shall not be immune under any other doctrine of sovereign immunity from suit in Federal court by any person for any violation of any of those provisions of law by any officer or employee of the Postal Service.

“(2) This subsection applies with respect to—
“(A) the Act of July 5, 1946 (commonly re-
ferred to as the ‘Trademark Act of 1946’ (15 U.S.C.
1051 and following)); and

“(B) the provisions of section 5 of the Federal
Trade Commission Act to the extent that such sec-
tion 5 applies to unfair or deceptive acts or prac-
tices.

“(e)(1) To the extent that the Postal Service, or other
Federal agency acting on behalf of or in concert with the
Postal Service, engages in conduct with respect to any
product which is not reserved to the United States under
section 1696 of title 18, the Postal Service or other Fed-
eral agency (as the case may be)—

“(A) shall not be immune under any doctrine of
sovereign immunity from suit in Federal court by
any person for any violation of Federal law by such
agency or any officer or employee thereof; and

“(B) shall be considered to be a person (as de-
defined in subsection (a) of the first section of the
Clayton Act) for purposes of—

“(i) the antitrust laws (as defined in such
subsection); and

“(ii) section 5 of the Federal Trade Com-
mission Act to the extent that such section 5
applies to unfair methods of competition.
For purposes of the preceding sentence, any private carriage of mail allowable by virtue of section 601 shall not be considered a service reserved to the United States under section 1696 of title 18.

“(2) No damages, interest on damages, costs or attorney’s fees may be recovered, and no criminal liability may be imposed, under the antitrust laws (as so defined) from any officer or employee of the Postal Service, or other Federal agency acting on behalf of or in concert with the Postal Service, acting in an official capacity.

“(3) This subsection shall not apply with respect to conduct occurring before the date of enactment of this subsection.

“(f) To the extent that the Postal Service engages in conduct with respect to the provision of competitive products, it shall be considered a person for the purposes of the Federal bankruptcy laws.

“(g)(1) Each building constructed or altered by the Postal Service shall be constructed or altered, to the maximum extent feasible as determined by the Postal Service, in compliance with 1 of the nationally recognized model building codes and with other applicable nationally recognized codes. To the extent practicable, model building codes should meet the voluntary consensus criteria established for codes and standards as required in the National
Technology Transfer and Advancement Act of 1995 as defined in Office of Management and Budget Circular A1190. For purposes of life safety, the Postal Service shall continue to comply with the most current edition of the Life Safety Code of the National Fire Protection Association (NFPA 101).

“(2) Each building constructed or altered by the Postal Service shall be constructed or altered only after consideration of all requirements (other than procedural requirements) of zoning laws, land use laws, and applicable environmental laws of a State or subdivision of a State which would apply to the building if it were not a building constructed or altered by an establishment of the Government of the United States.

“(3) For purposes of meeting the requirements of paragraphs (1) and (2) with respect to a building, the Postal Service shall—

“(A) in preparing plans for the building, consult with appropriate officials of the State or political subdivision, or both, in which the building will be located;

“(B) upon request, submit such plans in a timely manner to such officials for review by such officials for a reasonable period of time not exceeding 30 days; and
“(C) permit inspection by such officials during construction or alteration of the building, in accordance with the customary schedule of inspections for construction or alteration of buildings in the locality, if such officials provide to the Postal Service—

“(i) a copy of such schedule before construction of the building is begun; and

“(ii) reasonable notice of their intention to conduct any inspection before conducting such inspection.

Nothing in this subsection shall impose an obligation on any State or political subdivision to take any action under the preceding sentence, nor shall anything in this subsection require the Postal Service or any of its contractors to pay for any action taken by a State or political subdivision to carry out this subsection (including reviewing plans, carrying out on-site inspections, issuing building permits, and making recommendations).

“(4) Appropriate officials of a State or a political subdivision of a State may make recommendations to the Postal Service concerning measures necessary to meet the requirements of paragraphs (1) and (2). Such officials may also make recommendations to the Postal Service concerning measures which should be taken in the con-
struction or alteration of the building to take into account local conditions. The Postal Service shall give due consideration to any such recommendations.

“(5) In addition to consulting with local and State officials under paragraph (3), the Postal Service shall establish procedures for soliciting, assessing, and incorporating local community input on real property and land use decisions.

“(6) For purposes of this subsection, the term ‘State’ includes the District of Columbia, the Commonwealth of Puerto Rico, and a territory or possession of the United States.

“(h)(1) Notwithstanding any other provision of law, legal representation may not be furnished by the Department of Justice to the Postal Service in any action, suit, or proceeding arising, in whole or in part, under any of the following:

“(A) Subsection (d) or (e) of this section.

“(B) Subsection (f) or (g) of section 504 (relating to administrative subpoenas by the Postal Regulatory Commission).

“(C) Section 3663 (relating to appellate review).

The Postal Service may, by contract or otherwise, employ attorneys to obtain any legal representation that it is pre-
cluded from obtaining from the Department of Justice under this paragraph.

“(2) In any circumstance not covered by paragraph (1), the Department of Justice shall, under section 411, furnish the Postal Service such legal representation as it may require, except that, with the prior consent of the Attorney General, the Postal Service may, in any such circumstance, employ attorneys by contract or otherwise to conduct litigation brought by or against the Postal Service or its officers or employees in matters affecting the Postal Service.

“(3)(A) In any action, suit, or proceeding in a court of the United States arising in whole or in part under any of the provisions of law referred to in subparagraph (B) or (C) of paragraph (1), and to which the Commission is not otherwise a party, the Commission shall be permitted to appear as a party on its own motion and as of right.

“(B) The Department of Justice shall, under such terms and conditions as the Commission and the Attorney General shall consider appropriate, furnish the Commission such legal representation as it may require in connection with any such action, suit, or proceeding, except that, with the prior consent of the Attorney General, the Comm-
mission may employ attorneys by contract or otherwise for that purpose.

“(i) A judgment against the Government of the United States arising out of activities of the Postal Service shall be paid by the Postal Service out of any funds available to the Postal Service, subject to the restriction specified in section 2011(g).”.

(b) Technical Amendment.—Section 409(a) of title 39, United States Code, is amended by striking “Except as provided in section 3628 of this title,” and inserting “Except as otherwise provided in this title.”.

SEC. 405. INTERNATIONAL POSTAL ARRANGEMENTS.

(a) In General.—Section 407 of title 39, United States Code, is amended to read as follows:

“§ 407. International postal arrangements

“(a) It is the policy of the United States—

“(1) to promote and encourage communications between peoples by efficient operation of international postal services and other international delivery services for cultural, social, and economic purposes;

“(2) to promote and encourage unrestricted and undistorted competition in the provision of international postal services and other international delivery services, except where provision of such services
by private companies may be prohibited by law of
the United States;

“(3) to promote and encourage a clear distinc-
tion between governmental and operational respon-
sibilities with respect to the provision of inter-
national postal services; and

“(4) to participate in multilateral and bilateral
agreements with other countries to accomplish these
objectives.

“(b)(1) The Secretary of State shall be responsible
for formulation, coordination, and oversight of foreign pol-
icy related to international postal services and shall have
the power to conclude postal treaties and conventions, ex-
cept that the Secretary may not conclude any postal treaty
or convention if such treaty or convention would, with re-
spect to any competitive product, grant an undue or un-
reasonable preference to the Postal Service, a private pro-
vider of international postal services, or any other person.

“(2) In carrying out the responsibilities specified in
paragraph (1), the Secretary of State shall exercise pri-
mary authority for the conduct of foreign policy with re-
spect to international postal services, including the deter-
mination of United States positions and the conduct of
United States participation in negotiations with foreign
governments and international bodies. In exercising this
authority, the Secretary—

“(A) shall coordinate with other agencies as ap-
propriate, and in particular, should consider the au-
thority vested by law or Executive order in the Post-
al Regulatory Commission, the Department of Com-
merce, the Department of Transportation, and the
Office of the United States Trade Representative in
this area;

“(B) shall maintain continuing liaison with
other executive branch agencies concerned with post-
al and delivery services;

“(C) shall maintain continuing liaison with the
Committee on Homeland Security and Governmental
Affairs of the Senate and the Committee on Govern-
ment Reform of the House of Representatives;

“(D) shall maintain appropriate liaison with
both representatives of the Postal Service and rep-
resentatives of users and private providers of inter-
national postal services and other international deliv-
ery services to keep informed of their interests and
problems, and to provide such assistance as may be
needed to ensure that matters of concern are
promptly considered by the Department of State or
(if applicable, and to the extent practicable) other executive branch agencies; and

"(E) shall assist in arranging meetings of such public sector advisory groups as may be established to advise the Department of State and other executive branch agencies in connection with international postal services and international delivery services.

"(3) The Secretary of State shall establish an advisory committee (within the meaning of the Federal Advisory Committee Act) to perform such functions as the Secretary considers appropriate in connection with carrying out subparagraphs (A) through (D) of paragraph (2).

"(c) Before concluding any postal treaty or convention that establishes a rate or classification for a product subject to subchapter I of chapter 36, the Secretary of State shall request the Postal Regulatory Commission to submit its views on whether such rate or classification is consistent with the standards and criteria established by the Commission under section 3622.

"(d) Nothing in this section shall be considered to prevent the Postal Service from entering into such commercial or operational contracts related to providing international postal services as it deems appropriate, except that—
“(1) any such contract made with an agency of
a foreign government (whether under authority of
this subsection or otherwise) shall be solely contrac-
tual in nature and may not purport to be binding
under international law; and

“(2) a copy of each such contract between the
Postal Service and an agency of a foreign govern-
ment shall be transmitted to the Secretary of State
and the Postal Regulatory Commission not later
than the effective date of such contract.

“(e)(1) With respect to shipments of international
mail that are competitive products within the meaning of
section 3631 that are exported or imported by the Postal
Service, the Customs Service and other appropriate Fed-
eral agencies shall apply the customs laws of the United
States and all other laws relating to the importation or
exportation of such shipments in the same manner to both
shipments by the Postal Service and similar shipments by
private companies.

“(2) In exercising the authority under subsection (b)
to conclude new postal treaties and conventions related to
international postal services and to renegotiate such trea-
ties and conventions, the Secretary of State shall, to the
maximum extent practicable, take such measures as are
within the Secretary’s control to encourage the govern-
ments of other countries to make available to the Postal Service and private companies a range of nondiscrimi-
inatory customs procedures that will fully meet the needs of all types of American shippers. The Secretary of State shall consult with the United States Trade Representative and the Commissioner of Customs in carrying out this paragraph.

“(3) The provisions of this subsection shall take effect 6 months after the date of enactment of this sub-
section or such earlier date as the Customs Service may determine in writing.”.

(b) EFFECTIVE DATE.—Notwithstanding any provi-
sion of the amendment made by subsection (a), the au-
thority of the United States Postal Service to establish the rates of postage or other charges on mail matter con-
veyed between the United States and other countries shall remain available to the Postal Service until—

(1) with respect to market-dominant products, the date as of which the regulations promulgated under section 3622 of title 39, United States Code (as amended by section 201(a)) take effect; and

(2) with respect to competitive products, the date as of which the regulations promulgated under section 3633 of title 39, United States Code (as amended by section 202) take effect.
TITLE V—GENERAL PROVISIONS

SEC. 501. QUALIFICATION AND TERM REQUIREMENTS FOR GOVERNORS.

(a) QUALIFICATIONS.—

(1) IN GENERAL.—Section 202(a) of title 39, United States Code, is amended by striking “(a)” and inserting “(a)(1)” and by striking the fourth sentence and inserting the following: “The Governors shall represent the public interest generally, and shall be chosen solely on the basis of their demonstrated ability in managing organizations or corporations (in either the public or private sector) of substantial size. Experience in the fields of law and accounting shall be considered in making appointments of Governors. The Governors shall not be representatives of specific interests using the Postal Service, and may be removed only for cause.”.

(2) APPLICABILITY.—The amendment made by paragraph (1) shall not affect the appointment or tenure of any person serving as a Governor of the United States Postal Service under an appointment made before the date of enactment of this Act however, when any such office becomes vacant, the appointment of any person to fill that office shall be made in accordance with such amendment. The re-
requirement set forth in the fourth sentence of section 202(a)(1) of title 39, United States Code (as amended by subsection (a)) shall be met beginning not later than 9 years after the date of enactment of this Act.

(b) Consultation Requirement.—Section 202(a) of title 39, United States Code, is amended by adding at the end the following:

“(2) In selecting the individuals described in paragraph (1) for nomination for appointment to the position of Governor, the President should consult with the Speaker of the House of Representatives, the minority leader of the House of Representatives, the majority leader of the Senate, and the minority leader of the Senate.”.

(c) 5-Year Terms.—

(1) In general.—Section 202(b) of title 39, United States code, is amended in the first sentence by striking “9 years” and inserting “5 years”.

(2) Applicability.—

(A) Continuation by incumbents.—The amendment made by paragraph (1) shall not affect the tenure of any person serving as a Governor of the United States Postal Service on the date of enactment of this Act and such
person may continue to serve the remainder of
the applicable term.

(B) VACANCY BY INCUMBENT BEFORE 5
YEARS OF SERVICE.—If a person who is serving
as a Governor of the United States Postal Serv-
ice on the date of enactment of this Act resigns,
is removed, or dies before the expiration of the
9-year term of that Governor, and that Gov-
ernor has served less than 5 years of that term,
the resulting vacancy in office shall be treated
as a vacancy in a 5-year term.

(C) VACANCY BY INCUMBENT AFTER 5
YEARS OF SERVICE.—If a person who is serving
as a Governor of the United States Postal Serv-
ice on the date of enactment of this Act resigns,
is removed, or dies before the expiration of the
9-year term of that Governor, and that Gov-
ernor has served 5 years or more of that term,
that term shall be deemed to have been a 5-year
term beginning on its commencement date for
purposes of determining vacancies in office. Any
appointment to the vacant office shall be for a
5-year term beginning at the end of the original
9-year term determined without regard to the
deeming under the preceding sentence. Nothing
in this subparagraph shall be construed to af-
fect any action or authority of any Governor or
the Board of Governors during any portion of
a 9-year term deemed to be 5-year term under
this subparagraph.

(d) Term Limitation.—

(1) In general.—Section 202(b) of title 39,
United States Code, is amended—

(A) by inserting “(1)” after “(b)”; and

(B) by adding at the end the following:

“(2) No person may serve more than 3 terms
as a Governor.”.

(2) Applicability.—The amendments made
by paragraph (1) shall not affect the tenure of any
person serving as a Governor of the United States
Postal Service on the date of enactment of this Act
with respect to the term which that person is serving
on that date. Such person may continue to serve the
remainder of the applicable term, after which the
amendments made by paragraph (1) shall apply.

SEC. 502. OBLIGATIONS.

(a) Purposes for Which Obligations May Be
Issued.—The first sentence of section 2005(a)(1) of title
39, United States Code, is amended by striking “title.”
and inserting “title, other than any of the purposes for
which the corresponding authority is available to the Postal Service under section 2011.”.

(b) INCREASE RELATING TO OBLIGATIONS ISSUED FOR CAPITAL IMPROVEMENTS.—Section 2005(a)(1) of title 39, United States Code, is amended by striking the third sentence.

(e) AMOUNTS WHICH MAY BE Pledged.—

(1) OBLIGATIONS TO WHICH PROVISIONS APPLY.—The first sentence of section 2005(b) of title 39, United States Code, is amended by striking “such obligations,” and inserting “obligations issued by the Postal Service under this section,”.

(2) ASSETS, REVENUES, AND RECEIPTS TO WHICH PROVISIONS APPLY.—Subsection (b) of section 2005 of title 39, United States Code, is amended by striking “(b)” and inserting “(b)(1)”, and by adding at the end the following:

“(2) Notwithstanding any other provision of this section—

“(A) the authority to pledge assets of the Postal Service under this subsection shall be available only to the extent that such assets are not related to the provision of competitive products (as determined under section 2011(h) or, for purposes of any period before accounting practices and principles
under section 2011(h) have been established and applied, the best information available from the Postal Service, including the audited statements required by section 2008(e)); and

“(B) any authority under this subsection relating to the pledging or other use of revenues or receipts of the Postal Service shall be available only to the extent that they are not revenues or receipts of the Competitive Products Fund.”.

SEC. 503. PRIVATE CARRIAGE OF LETTERS.

(a) In General.—Section 601 of title 39, United States Code, is amended by striking subsection (b) and inserting the following:

“(b) A letter may also be carried out of the mails when—

“(1) the amount paid for the private carriage of the letter is at least the amount equal to 6 times the rate then currently charged for the 1st ounce of a single-piece first class letter;

“(2) the letter weighs at least 12½ ounces; or

“(3) such carriage is within the scope of services described by regulations of the United States Postal Service (as in effect on July 1, 2001) that permit private carriage by suspension of the operation of this section (as then in effect).
Any regulations necessary to carry out this section shall be promulgated by the Postal Regulatory Commission.”.

(b) EFFECTIVE DATE.—This section shall take effect on the date as of which the regulations promulgated under section 3633 of title 39, United States Code (as amended by section 202) take effect.

SEC. 504. RULEMAKING AUTHORITY.

Paragraph (2) of section 401 of title 39, United States Code, is amended to read as follows:

“(2) to adopt, amend, and repeal such rules and regulations, not inconsistent with this title, as may be necessary in the execution of its functions under this title and such other functions as may be assigned to the Postal Service under any provisions of law outside of this title;”.

SEC. 505. NONINTERFERENCE WITH COLLECTIVE BARGAINING AGREEMENTS.

(a) LABOR DISPUTES.—Section 1207 of title 39, United States Code, is amended to read as follows:

“§ 1207. Labor disputes

“(a) If there is a collective-bargaining agreement in effect, no party to such agreement shall terminate or modify such agreement unless the party desiring such termination or modification serves written notice upon the other

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party to the agreement of the proposed termination or
modification not less than 90 days prior to the expiration
date thereof, or not less than 90 days prior to the time
it is proposed to make such termination or modification.
The party serving such notice shall notify the Federal Me-
diation and Conciliation Service of the existence of a dis-
pute within 45 days after such notice, if no agreement has
been reached by that time.

“(b) If the parties fail to reach agreement or to adopt
a procedure providing for a binding resolution of a dispute
by the expiration date of the agreement in effect, or the
date of the proposed termination or modification, the Di-
rector of the Federal Mediation and Conciliation Service
shall within 10 days appoint a mediator of nationwide rep-
utation and professional stature, and who is also a mem-
ber of the National Academy of Arbitrators. The parties
shall cooperate with the mediator in an effort to reach an
agreement and shall meet and negotiate in good faith at
such times and places that the mediator, in consultation
with the parties, shall direct.

“(c)(1) If no agreement is reached within 60 days
after the expiration or termination of the agreement or
the date on which the agreement became subject to modi-
fication under subsection (a) of this section, or if the par-
ties decide upon arbitration but do not agree upon the pro-
cedures therefore, an arbitration board shall be established
consisting of 3 members, 1 of whom shall be selected by
the Postal Service, 1 by the bargaining representative of
the employees, and the third by the 2 thus selected. If
either of the parties fails to select a member, or if the
members chosen by the parties fail to agree on the third
person within 5 days after their first meeting, the selection
shall be made from a list of names provided by the Direc-
tor. This list shall consist of not less then 9 names of arbi-
trators of nationwide reputation and professional nature,
who are also members of the National Academy of Arbi-
trators, and whom the Director has determined are avail-
able and willing to serve.

“(2) The arbitration board shall give the parties a
full and fair hearing, including an opportunity to present
evidence in support of their claims, and an opportunity
to present their case in person, by counsel or by other rep-
resentative as they may elect. Decisions of the arbitration
board shall be conclusive and binding upon the parties.
The arbitration board shall render its decision within 45
days after its appointment.

“(3) Costs of the arbitration board and mediation
shall be shared equally by the Postal Service and the bar-
gaining representative.
“(d) In the case of a bargaining unit whose recognized collective-bargaining representative does not have an agreement with the Postal Service, if the parties fail to reach the agreement within 90 days after the commencement of collective bargaining, a mediator shall be appointed in accordance with the terms in subsection (b) of this section, unless the parties have previously agreed to another procedure for a binding resolution of their differences. If the parties fail to reach agreement within 180 days after the commencement of collective bargaining, and if they have not agreed to another procedure for binding resolution, an arbitration board shall be established to provide conclusive and binding arbitration in accordance with the terms of subsection (e) of this section.”.

(b) NONINTERFERENCE WITH COLLECTIVE BARGAINING AGREEMENTS.—Except as otherwise provided by the amendment made by subsection (a), nothing in this Act shall restrict, expand, or otherwise affect any of the rights, privileges, or benefits of either employees of or labor organizations representing employees of the United States Postal Service under chapter 12 of title 39, United States Code, the National Labor Relations Act, any handbook or manual affecting employee labor relations within the United States Postal Service, or any collective bargaining agreement.
(c) Free Mailing Privileges Continue Unchanged.—Nothing in this Act or any amendment made by this Act shall affect any free mailing privileges accorded under section 3217 or sections 3403 through 3406 of title 39, United States Code.

SEC. 506. Bonus Authority.

Chapter 36 of title 39, United States Code, is amended by inserting after section 3685 the following:

“§ 3686. Bonus authority

“(a) In General.—The Postal Service may establish 1 or more programs to provide bonuses or other rewards to officers and employees of the Postal Service in senior executive or equivalent positions to achieve the objectives of this chapter.

“(b) Limitation on Total Compensation.—

“(1) In General.—Under any such program, the Postal Service may award a bonus or other reward in excess of the limitation set forth in the last sentence of section 1003(a), if such program has been approved under paragraph (2). Any such award or bonus may not cause the total compensation of such officer or employee to exceed the total annual compensation payable to the Vice President under section 104 of title 3 as of the end of the calendar year in which the bonus or award is paid.
“(2) APPROVAL PROCESS.—If the Postal Serv-

ice wishes to have the authority, under any program
described in subsection (a), to award bonuses or
other rewards in excess of the limitation set forth in
the last sentence of section 1003(a)—

“(A) the Postal Service shall make an ap-
propriate request to the Board of Governors of
the Postal Service in such form and manner as
the Board requires; and

“(B) the Board of Governors shall approve
any such request if the Board certifies, for the
annual appraisal period involved, that the per-
formance appraisal system for affected officers
and employees of the Postal Service (as de-
dsigned and applied) makes meaningful distinc-
tions based on relative performance.

“(3) REVOCATION AUTHORITY.—If the Board
of Governors of the Postal Service finds that a per-
formance appraisal system previously approved
under paragraph (2)(B) does not (as designed and
applied) make meaningful distinctions based on rel-
ative performance, the Board may revoke or suspend
the authority of the Postal Service to continue a pro-
gram approved under paragraph (2) until such time
as appropriate corrective measures have, in the judgment of the Board, been taken.

“(c) Reporting Requirement Relating to Bonuses or Other Rewards.—Included in its comprehensive statement under section 2401(e) for any period shall be—

“(1) the name of each person receiving a bonus or other reward during such period which would not have been allowable but for the provisions of subsection (b);

“(2) the amount of the bonus or other reward; and

“(3) the amount by which the limitation referred to in subsection (b)(1) was exceeded as a result of such bonus or other reward.”.

**TITLE VI—ENHANCED REGULATORY COMMISSION**

**SEC. 601. REORGANIZATION AND MODIFICATION OF CERTAIN PROVISIONS RELATING TO THE POSTAL REGULATORY COMMISSION.**

(a) Transfer and Redesignation.—Title 39, United States Code, is amended—

(1) by inserting after chapter 4 the following:
CHAPTER 5—POSTAL REGULATORY COMMISSION

§ 501. Establishment

The Postal Regulatory Commission is an independent establishment of the executive branch of the Government of the United States.

§ 502. Commissioners

(a) The Postal Regulatory Commission is composed of 5 Commissioners, appointed by the President, by and with the advice and consent of the Senate. The Commissioners shall be chosen solely on the basis of their technical qualifications, professional standing, and demonstrated expertise in economics, accounting, law, or public administration, and may be removed by the President only for cause. Each individual appointed to the Commission shall have the qualifications and expertise necessary to carry out the enhanced responsibilities accorded Commissioners under the Postal Accountability and Enhancement Act. Not more than 3 of the Commissioners may be adherents of the same political party.
“(b) No Commissioner shall be financially interested in any enterprise in the private sector of the economy engaged in the delivery of mail matter.

“(c) A Commissioner may continue to serve after the expiration of his term until his successor has qualified, except that a Commissioner may not so continue to serve for more than 1 year after the date upon which his term otherwise would expire under subsection (f).

“(d) One of the Commissioners shall be designated as Chairman by, and shall serve in the position of Chairman at the pleasure of, the President.

“(e) The Commissioners shall by majority vote designate a Vice Chairman of the Commission. The Vice Chairman shall act as Chairman of the Commission in the absence of the Chairman.

“(f) The Commissioners shall serve for terms of 6 years.”;

(2) by striking, in subchapter I of chapter 36 (as in effect before the amendment made by section 201(c)), the heading for such subchapter I and all that follows through section 3602;

(3) by redesignating sections 3603 and 3604 as sections 503 and 504, respectively, and transferring such sections to the end of chapter 5 (as inserted by paragraph (1)); and
(4) by adding after such section 504 the following:

“§ 505. Officer of the Postal Regulatory Commission representing the general public

“The Postal Regulatory Commission shall designate an officer of the Postal Regulatory Commission in all public proceedings who shall represent the interests of the general public.”.

(b) APPLICABILITY.—The amendment made by subsection (a)(1) shall not affect the appointment or tenure of any person serving as a Commissioner on the Postal Regulatory Commission (as so redesignated by section 604) under an appointment made before the date of enactment of this Act or any nomination made before that date, but, when any such office becomes vacant, the appointment of any person to fill that office shall be made in accordance with such amendment.

(c) CLERICAL AMENDMENT.—The analysis for part I of title 39, United States Code, is amended by inserting after the item relating to chapter 4 the following:

“5. Postal Regulatory Commission .......................... 501”

SEC. 602. AUTHORITY FOR POSTAL REGULATORY COMMISSION TO ISSUE SUBPOENAS.

Section 504 of title 39, United States Code (as so redesignated by section 601) is amended by adding at the end the following:
“(f)(1) Any Commissioner of the Postal Regulatory Commission, any administrative law judge appointed by the Commission under section 3105 of title 5, and any employee of the Commission designated by the Commission may administer oaths, examine witnesses, take depositions, and receive evidence.

“(2) The Chairman of the Commission, any Commissioner designated by the Chairman, and any administrative law judge appointed by the Commission under section 3105 of title 5 may, with respect to any proceeding conducted by the Commission under this title or to obtain information to be used to prepare a report under this title—

“(A) issue subpoenas requiring the attendance and presentation of testimony by, or the production of documentary or other evidence in the possession of, any covered person; and

“(B) order the taking of depositions and responses to written interrogatories by a covered person.

The written concurrence of a majority of the Commissioners then holding office shall, with respect to each subpoena under subparagraph (A), be required in advance of its issuance.
“(3) In the case of contumacy or failure to obey a subpoena issued under this subsection, upon application by the Commission, the district court of the United States for the district in which the person to whom the subpoena is addressed resides or is served may issue an order requiring such person to appear at any designated place to testify or produce documentary or other evidence. Any failure to obey the order of the court may be punished by the court as a contempt thereof.

“(4) For purposes of this subsection, the term ‘covered person’ means an officer, employee, agent, or contractor of the Postal Service.

“(g)(1) If the Postal Service determines that any document or other matter it provides to the Postal Regulatory Commission under a subpoena issued under subsection (f), or otherwise at the request of the Commission in connection with any proceeding or other purpose under this title, contains information which is described in section 410(c) of this title, or exempt from public disclosure under section 552(b) of title 5, the Postal Service shall, at the time of providing such matter to the Commission, notify the Commission, in writing, of its determination (and the reasons therefor).

“(2) Except as provided in paragraph (3), no officer or employee of the Commission may, with respect to any
information as to which the Commission has been notified under paragraph (1)—

“(A) use such information for purposes other than the purposes for which it is supplied; or

“(B) permit anyone who is not an officer or employee of the Commission to have access to any such information.

“(3)(A) Paragraph (2) shall not prohibit the Commission from publicly disclosing relevant information in furtherance of its duties under this title, provided that the Commission has adopted regulations under section 553 of title 5, that establish a procedure for according appropriate confidentiality to information identified by the Postal Service under paragraph (1). In determining the appropriate degree of confidentiality to be accorded information identified by the Postal Service under paragraph (1), the Commission shall balance the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets.

“(B) Paragraph (2) shall not prevent the Commission from requiring production of information in the course of any discovery procedure established in
connection with a proceeding under this title. The Commission shall, by regulations based on rule 26(e) of the Federal Rules of Civil Procedure, establish procedures for ensuring appropriate confidentiality for information furnished to any party.”.

SEC. 603. APPROPRIATIONS FOR THE POSTAL REGULATORY COMMISSION.

(a) Authorization of Appropriations.—Subsection (d) of section 504 of title 39, United States Code (as so redesignated by section 601) is amended to read as follows:

“(d) There are authorized to be appropriated, out of the Postal Service Fund, such sums as may be necessary for the Postal Regulatory Commission. In requesting an appropriation under this subsection for a fiscal year, the Commission shall prepare and submit to the Congress under section 2009 a budget of the Commission’s expenses, including expenses for facilities, supplies, compensation, and employee benefits.”.

(b) Budget Program.—

(1) In general.—The next to last sentence of section 2009 of title 39, United States Code, is amended to read as follows: “The budget program shall also include separate statements of the amounts which (1) the Postal Service requests to be
appropriated under subsections (b) and (c) of section 2401, (2) the Office of Inspector General of the United States Postal Service requests to be appropriated, out of the Postal Service Fund, under section 8G(f) of the Inspector General Act of 1978, and (3) the Postal Regulatory Commission requests to be appropriated, out of the Postal Service Fund, under section 504(d) of this title.”.

(2) CONFORMING AMENDMENT.—Section 2003(e)(1) of title 39, United States Code, is amended by striking the first sentence and inserting the following: “The Fund shall be available for the payment of (A) all expenses incurred by the Postal Service in carrying out its functions as provided by law, subject to the same limitation as set forth in the parenthetical matter under subsection (a); (B) all expenses of the Postal Regulatory Commission, subject to the availability of amounts appropriated under section 504(d); and (C) all expenses of the Office of Inspector General, subject to the availability of amounts appropriated under section 8G(f) of the Inspector General Act of 1978.”.

(e) EFFECTIVE DATE.—
(1) In general.—The amendments made by this section shall apply with respect to fiscal years beginning on or after October 1, 2002.

(2) Savings provision.—The provisions of title 39, United States Code, that are amended by this section shall, for purposes of any fiscal year before the first fiscal year to which the amendments made by this section apply, continue to apply in the same way as if this section had never been enacted.

SEC. 604. REDESIGNATION OF THE POSTAL RATE COMMISSION.

(a) Amendments to Title 39, United States Code.—Title 39, United States Code, is amended in sections 404, 503 and 504 (as so redesignated by section 601), 1001 and 1002, by striking “Postal Rate Commission” each place it appears and inserting “Postal Regulatory Commission”;

(b) Amendments to Title 5, United States Code.—Title 5, United States Code, is amended in sections 104(1), 306(f), 2104(b), 3371(3), 5314 (in the item relating to Chairman, Postal Rate Commission), 5315 (in the item relating to Members, Postal Rate Commission), 5514(a)(5)(B), 7342(a)(1)(A), 7511(a)(1)(B)(ii), 8402(c)(1), 8423(b)(1)(B), and 8474(c)(4) by striking
“Postal Rate Commission” and inserting “Postal Regulatory Commission”.

(c) AMENDMENT TO THE ETHICS IN GOVERNMENT ACT OF 1978.—Section 101(f)(6) of the Ethics in Government Act of 1978 (5 U.S.C. App.) is amended by striking “Postal Rate Commission” and inserting “Postal Regulatory Commission”.

(d) AMENDMENT TO THE REHABILITATION ACT OF 1973.—Section 501(b) of the Rehabilitation Act of 1973 (29 U.S.C. 791(b)) is amended by striking “Postal Rate Office” and inserting “Postal Regulatory Commission”.

(e) AMENDMENT TO TITLE 44, UNITED STATES CODE.—Section 3502(5) of title 44, United States Code, is amended by striking “Postal Rate Commission” and inserting “Postal Regulatory Commission”.

(f) OTHER REFERENCES.—Whenever a reference is made in any provision of law (other than this Act or a provision of law amended by this Act), regulation, rule, document, or other record of the United States to the Postal Rate Commission, such reference shall be considered a reference to the Postal Regulatory Commission.

SEC. 605. FINANCIAL TRANSPARENCY.

(a) IN GENERAL.—Section 101 of title 39, United States Code, is amended—
(1) by redesignating subsections (d) through (g) as subsections (e) through (h), respectively; and 
(2) by inserting after subsection (c) the following:
“(d) As an independent establishment of the executive branch of the Government of the United States, the Postal Service shall be subject to a high degree of transparency to ensure fair treatment of customers of the Postal Service’s market-dominant products and companies competing with the Postal Service’s competitive products.”.

(b) FINANCIAL REPORTING REQUIREMENTS AND ENFORCEMENT POWERS APPLICABLE TO POSTAL SERVICE.—Section 503 of title 39, United States Code (as so redesignated by section 601 and 604) is amended by—
(1) inserting “(a)” before “The Postal Regulatory Commission shall promulgate”; and
(2) adding at the end the following:
“(b)(1) Beginning with the first full fiscal year following the date of enactment of the Postal Accountability and Enhancement Act, the Postal Service shall file with the Postal Regulatory Commission —
“(A) within 35 days after the end of each fiscal quarter, a quarterly report containing the information prescribed in Form 10–Q of the Securities and
Exchange Commission under section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m), or any revised or successor form;

“(B) within 60 days after the end of each fiscal year, an annual report containing the information prescribed in Form 10–K of the Securities and Exchange Commission under section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m), or any revised or successor form; and

“(C) periodic reports within the time frame and containing the information prescribed in Form 8–K of the Securities and Exchange Commission under section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m), or any revised or successor form.

“(2) For purposes of preparing the reports required under paragraph (1), the Postal Service shall be deemed to be the registrant described in the Securities and Exchange Commission forms, and references contained in such forms to Securities and Exchange Commission regulations are applicable.

“(3) For purposes of preparing the reports required under paragraph (1), the Postal Service shall comply with the rules prescribed by the Securities and Exchange Commission implementing section 404 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7262; Public Law 107–204) be-
beginning with fiscal year 2007 and in each fiscal year there-
after.

“(c)(1) The reports required under subsection
(b)(1)(B) shall include, with respect to the financial obli-
gations of the Postal Service under chapters 83, 84, and
89 of title 5 for retirees of the Postal Service—

“(A) the funded status of such obligations of
the Postal Service;

“(B) components of the net change in the fund
balances and obligations and the nature and cause
of any significant changes;

“(C) components of net periodic costs;

“(D) cost methods and assumptions underlying
the relevant actuarial valuations;

“(E) the effect of a one-percentage point in-
crease in the assumed health care cost trend rate for
each future year on the service and interest costs
components of net periodic cost and the accumulated
obligation of the Postal Service under chapter 89 of
title 5 for retirees of the Postal Service;

“(F) actual contributions to and payments from
the funds for the years presented and the estimated
future contributions and payments for each of the
following 5 years;
“(G) the composition of plan assets reflected in the fund balances; and

“(H) the assumed rate of return on fund balances and the actual rates of return for the years presented.

“(2)(A) Beginning with the fiscal year 2007 and in each fiscal year thereafter, for purposes of the reports required under subsection (b)(1) (A) and (B), the Postal Service shall include segment reporting.

“(B) The Postal Service shall determine the appropriate segment reporting under subparagraph (A), after consultation with the Postal Regulatory Commission.

“(d) For purposes of the annual reports required under subsection (b)(1)(B), the Postal Service shall obtain an opinion from an independent auditor on whether the information listed under subsection (e) is fairly stated in all material respects, either in relation to the basic financial statements as a whole or on a stand-alone basis.

“(e) The Postal Regulatory Commission shall have access to the audit documentation and any other supporting matter of the Postal Service and its independent auditor in connection with any information submitted under subsection (b)(1)(B).

“(f) The Postal Regulatory Commission may, on its own motion or on request of an interested party, initiate
proceedings (to be conducted in accordance with regulations that the Commission shall prescribe) to improve the quality, accuracy, or completeness of Postal Service data required by the Commission under this section whenever it shall appear that the data—

“(1) have become significantly inaccurate;

“(2) can be significantly improved; or

“(3) are not cost beneficial.”.

TITLE VII—EVALUATIONS

SEC. 701. ASSESSMENTS OF RATEMAKING, CLASSIFICATION, AND OTHER PROVISIONS.

(a) IN GENERAL.—The Postal Regulatory Commission shall, at least every 3 years, submit a report to the President and Congress concerning—

(1) the operation of the amendments made by this Act; and

(2) recommendations for any legislation or other measures necessary to improve the effectiveness or efficiency of the postal laws of the United States.

(b) POSTAL SERVICE VIEWS.—A report under this section shall be submitted only after reasonable opportunity has been afforded to the Postal Service to review the report and to submit written comments on the report. Any comments timely received from the Postal Service
under the preceding sentence shall be attached to the report submitted under subsection (a).

SEC. 702. REPORT ON UNIVERSAL POSTAL SERVICE AND THE POSTAL MONOPOLY.

(a) Report by the Postal Regulatory Commission.—

(1) IN GENERAL.—Not later than 12 months after the date of enactment of this Act, the Postal Regulatory Commission shall submit a report to the President and Congress on universal postal service and the postal monopoly in the United States (in this section referred to as "universal service and the postal monopoly"), including the monopoly on the delivery of mail and on access to mailboxes.

(2) CONTENTS.—The report under this subsection shall include—

(A) a comprehensive review of the history and development of universal service and the postal monopoly, including how the scope and standards of universal service and the postal monopoly have evolved over time for the Nation and its urban and rural areas;

(B) the scope and standards of universal service and the postal monopoly provided under current law (including sections 101 and 403 of
title 39, United States Code), and current rules, regulations, policy statements, and practices of the Postal Service;

(C) a description of any geographic areas, populations, communities (including both urban and rural communities), organizations, or other groups or entities not currently covered by universal service or that are covered but that are receiving services deficient in scope or quality or both; and

(D) the scope and standards of universal service and the postal monopoly likely to be required in the future in order to meet the needs and expectations of the United States public, including all types of mail users, based on discussion of such assumptions, alternative sets of assumptions, and analyses as the Postal Service considers plausible.

(b) **RECOMMENDED CHANGES TO UNIVERSAL SERVICE AND THE MONOPOLY.**—The Postal Regulatory Commission shall include in the report under subsection (a), and in all reports submitted under section 701 of this Act—

(1) any recommended changes to universal service and the postal monopoly as the Commission con-
siders appropriate, including changes that the Com-
mission may implement under current law and
changes that would require changes to current law,
with estimated effects of the recommendations on
the service, financial condition, rates, and security of
mail provided by the Postal Service;

(2) with respect to each recommended change
described under paragraph (1)—

(A) an estimate of the costs of the Postal
Service attributable to the obligation to provide
universal service under current law; and

(B) an analysis of the likely benefit of the
current postal monopoly to the ability of the
Postal Service to sustain the current scope and
standards of universal service, including esti-
mates of the financial benefit of the postal mo-
nopoly to the extent practicable, under current
law; and

(3) such additional topics and recommendations
as the Commission considers appropriate, with esti-
mated effects of the recommendations on the service,
financial condition, rates, and the security of mail
provided by the Postal Service.
SEC. 703. STUDY ON EQUAL APPLICATION OF LAWS TO COMPETITIVE PRODUCTS.

(a) In General.—The Federal Trade Commission shall prepare and submit to the President and Congress, and to the Postal Regulatory Commission, within 1 year after the date of enactment of this Act, a comprehensive report identifying Federal and State laws that apply differently to the United States Postal Service with respect to the competitive category of mail (within the meaning of section 102 of title 39, United States Code, as amended by section 101) and similar products provided by private companies.

(b) Recommendations.—The Federal Trade Commission shall include such recommendations as it considers appropriate for bringing such legal discrimination to an end, and in the interim, to account under section 3633 of title 39, United States Code (as added by this Act), for the net economic advantages provided by those laws.

(c) Consultation.—In preparing its report, the Federal Trade Commission shall consult with the United States Postal Service, the Postal Regulatory Commission, other Federal agencies, mailers, private companies that provide delivery services, and the general public, and shall append to such report any written comments received under this subsection.
(d) **COMPETITIVE PRODUCT REGULATION.**—The Postal Regulatory Commission shall take into account the recommendations of the Federal Trade Commission in promulgating or revising the regulations required under section 3633 of title 39, United States Code.

**SEC. 704. REPORT ON POSTAL WORKPLACE SAFETY AND WORKPLACE-RELATED INJURIES.**

(a) **REPORT BY THE INSPECTOR GENERAL.**—

(1) **IN GENERAL.**—Not later than 6 months after the enactment of this Act, the Inspector General of the United States Postal Service shall submit a report to Congress and the Postal Service that—

(A) details and assesses any progress the Postal Service has made in improving workplace safety and reducing workplace-related injuries nationwide; and

(B) identifies opportunities for improvement that remain with respect to such improvements and reductions.

(2) **CONTENTS.**—The report under this subsection shall also—

(A) discuss any injury reduction goals established by the Postal Service;

(B) describe the actions that the Postal Service has taken to improve workplace safety
and reduce workplace-related injuries, and assess how successful the Postal Service has been in meeting its injury reduction goal; and

(C) identify areas where the Postal Service has failed to meet its injury reduction goals, explain the reasons why these goals were not met, and identify opportunities for making further progress in meeting these goals.

(b) REPORT BY THE POSTAL SERVICE.—

(1) REPORT TO CONGRESS.—Not later than 6 months after receiving the report under subsection (a), the Postal Service shall submit a report to Congress detailing how it plans to improve workplace safety and reduce workplace-related injuries nationwide, including goals and metrics.

(2) PROBLEM AREAS.—The report under this subsection shall also include plans, developed in consultation with the Inspector General and employee representatives, including representatives of each postal labor union and management association, for addressing the problem areas identified by the Inspector General in the report under subsection (a)(2)(C).
SEC. 705. STUDY ON RECYCLED PAPER.

(a) In General.—Within 12 months after the date of enactment of this Act, the Government Accountability Office shall study and submit to the Congress, the Board of Governors of the Postal Service, and to the Postal Regulatory Commission a report concerning—

(1) the economic and environmental efficacy of establishing rate incentives for mailers linked to the use of recycled paper;

(2) a description of the accomplishments of the Postal Service in each of the preceding 5 years involving recycling activities, including the amount of annual revenue generated and savings achieved by the Postal Service as a result of its use of recycled paper and other recycled products and its efforts to recycle undeliverable and discarded mail and other materials; and

(3) additional opportunities that may be available for the United States Postal Service to engage in recycling initiatives and the projected costs and revenues of undertaking such opportunities.

(b) Recommendations.—The report shall include recommendations for any administrative or legislative actions that may be appropriate.
TITLE VIII—POSTAL SERVICE
RETIREMENT AND HEALTH
BENEFITS FUNDING

SEC. 801. SHORT TITLE.

This title may be cited as the “Postal Civil Service Retirement and Health Benefits Funding Amendments of 2004”.

SEC. 802. CIVIL SERVICE RETIREMENT SYSTEM.

(a) IN GENERAL.—Chapter 83 of title 5, United States Code, is amended—

(1) in section 8334(a)(1)(B), by striking clause (ii) and inserting the following:

“(ii) In the case of an employee of the United States Postal Service, no amount shall be contributed under this subparagraph.”; and

(2) by amending section 8348(h) to read as follows:

“(h)(1) In this subsection, the term ‘Postal surplus or supplemental liability’ means the estimated difference, as determined by the Office, between—

“(A) the actuarial present value of all future benefits payable from the Fund under this subchapter to current or former employees of the United States Postal Service and attributable to ci-
vilian employment with the United States Postal Service; and

“(B) the sum of—

“(i) the actuarial present value of deductions to be withheld from the future basic pay of employees of the United States Postal Service currently subject to this subchapter under section 8334;

“(ii) that portion of the Fund balance, as of the date the Postal surplus or supplemental liability is determined, attributable to payments to the Fund by the United States Postal Service and its employees, minus benefit payments attributable to civilian employment with the United States Postal Service, plus the earnings on such amounts while in the Fund; and

“(iii) any other appropriate amount, as determined by the Office in accordance with generally accepted actuarial practices and principles.

“(2)(A) Not later than June 15, 2006, the Office shall determine the Postal surplus or supplemental liability, as of September 30, 2005. If that result is a surplus, the amount of the surplus shall be transferred to the Postal Service Retiree Health Benefits Fund established under
section 8909a by June 30, 2006. If the result is a supple-
mental liability, the Office shall establish an amortization
schedule, including a series of annual installments com-
mencing September 30, 2006, which provides for the liq-
uidation of such liability by September 30, 2043.

"(B) The Office shall redetermine the Postal surplus
or supplemental liability as of the close of the fiscal year,
for each fiscal year beginning after September 30, 2006,
through the fiscal year ending September 30, 2038. If the
result is a surplus, that amount shall remain in the Fund
until distribution is authorized under subparagraph (C),
and any prior amortization schedule for payments shall
be terminated. If the result is a supplemental liability, the
Office shall establish a new amortization schedule, includ-
ing a series of annual installments commencing on Sep-
tember 30 of the subsequent fiscal year, which provides
for the liquidation of such liability by September 30, 2043.

"(C) As of the close of the fiscal years ending Sep-
tember 30, 2015, 2025, 2035, and 2039, if the result is
a surplus, that amount shall be transferred to the Postal
Service Retiree Health Benefits Fund, and any prior am-
ortization schedule for payments shall be terminated.

"(D) Amortization schedules established under this
paragraph shall be set in accordance with generally accept-
ed actuarial practices and principles, with interest com-
puted at the rate used in the most recent valuation of the Civil Service Retirement System.

“(E) The United States Postal Service shall pay the amounts so determined to the Office, with payments due not later than the date scheduled by the Office.

“(3) Notwithstanding any other provision of law, in computing the amount of any payment under any other subsection of this section that is based upon the amount of the unfunded liability, such payment shall be computed disregarding that portion of the unfunded liability that the Office determines will be liquidated by payments under this subsection.”.

(b) CREDIT ALLOWED FOR MILITARY SERVICE.—In the application of section 8348(g)(2) of title 5, United States Code, for the fiscal year 2006, the Office of Personnel Management shall include, in addition to the amount otherwise computed under that paragraph, the amounts that would have been included for the fiscal years 2003 through 2005 with respect to credit for military service of former employees of the United States Postal Service as though the Postal Civil Service Retirement System Funding Reform Act of 2003 (Public Law 108–18) had not been enacted, and the Secretary of the Treasury shall make the required transfer to the Civil Service Retirement and Disability Fund based on that amount.
SEC. 803. HEALTH INSURANCE.

(a) IN GENERAL.—

(1) FUNDING.—Chapter 89 of title 5, United States Code, is amended—

(A) in section 8906(g)(2)(A), by striking “shall be paid by the United States Postal Service.” and inserting “shall be paid first from the Postal Service Retiree Health Benefits Fund up to the amount contained in the Fund, with any remaining amount paid by the United States Postal Service.”; and

(B) by inserting after section 8909 the following:

§ 8909a. Postal Service Retiree Health Benefit Fund

“(a) There is in the Treasury of the United States a Postal Service Retiree Health Benefits Fund which is administered by the Office of Personnel Management.

“(b) The Fund is available without fiscal year limitation for payments required under section 8906(g)(2)(A).

“(c) The Secretary of the Treasury shall immediately invest, in interest-bearing securities of the United States such currently available portions of the Fund as are not immediately required for payments from the Fund. Such investments shall be made in the same manner as investments for the Civil Service Retirement and Disability Fund under section 8348.
“(d)(1) Not later than June 30, 2006, and by June 30 of each succeeding year, the Office shall compute the net present value of the future payments required under section 8906(g)(2)(A) and attributable to the service of Postal Service employees during the most recently ended fiscal year.

“(2)(A) Not later than June 30, 2006, the Office shall compute, and by June 30 of each succeeding year, the Office shall recompute the difference between—

“(i) the net present value of the excess of future payments required under section 8906(g)(2)(A) for current and future United States Postal Service annuitants as of the end of the fiscal year ending on September 30 of that year; and

“(ii)(I) the value of the assets of the Postal Retiree Health Benefits Fund as of the end of the fiscal year ending on September 30 of that year; and

“(II) the net present value computed under paragraph (1).

“(B) Not later than June 30, 2006, the Office shall compute, and by June 30 of each succeeding year shall recompute, an amortization schedule including a series of annual installments which provide for the liquidation by September 30, 2045, or within 15 years, whichever is later, of the net present value determined under subpara-
graph (A), including interest at the rate used in that computation.

“(3) Not later than September 30, 2006, and by September 30 of each succeeding year, the United States Postal Service shall pay into such Fund—

“(A) the net present value computed under paragraph (1); and

“(B) the annual installment computed under paragraph (2)(B).

“(4) Computations under this subsection shall be made consistent with the assumptions and methodology used by the Office for financial reporting under subchapter II of chapter 35 of title 31.

“(5) After consultation with the United States Postal Service, the Office shall promulgate any regulations the Office determines necessary under this subsection.”.

(2) TECHNICAL AND CONFORMING AMENDMENT.—The table of sections for chapter 89 of title 5, United States Code, is amended by inserting after the item relating to section 8909 the following:

“8909a. Postal Service Retiree Health Benefits Fund.”.

(b) TRANSITIONAL ADJUSTMENT FOR FISCAL YEAR 2006.—For fiscal year 2006, the amounts paid by the Postal Service in Government contributions under section 8906(g)(2)(A) of title 5, United States Code, for fiscal year 2006 contributions shall be deducted from the initial
payment otherwise due from the Postal Service to the Postal Service Retiree Health Benefits Fund under section 8909a(d)(3) of such title as added by this section.

SEC. 804. REPEAL OF DISPOSITION OF SAVINGS PROVISION.

Section 3 of the Postal Civil Service Retirement System Funding Reform Act of 2003 (Public Law 108–18) is repealed.

SEC. 805. EFFECTIVE DATES.

(a) IN GENERAL.—Except as provided under subsection (b), this title shall take effect on October 1, 2005.

(b) TERMINATION OF EMPLOYER CONTRIBUTION.—The amendment made by paragraph (1) of section 802(a) shall take effect on the first day of the first pay period beginning on or after October 1, 2005.

TITLE IX—COMPENSATION FOR WORK INJURIES

SEC. 901. TEMPORARY DISABILITY; CONTINUATION OF PAY.

(a) TIME OF ACCRUAL OF RIGHT.—Section 8117 of title 5, United States Code, is amended—

(1) by striking “An employee” and inserting “(a) An employee other than a Postal Service employee”; and

(2) by adding at the end the following:

“(b) A Postal Service employee is not entitled to compensation or continuation of pay for the first 3 days of...
temporary disability, except as provided under paragraph (3) of subsection (a). A Postal Service employee may use annual leave, sick leave, or leave without pay during that 3-day period, except that if the disability exceeds 14 days or is followed by permanent disability, the employee may have their sick leave or annual leave reinstated or receive pay for the time spent on leave without pay under this section.”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—

Section 8118(b)(1) of title 5, United States Code, is amended to read as follows:

“(1) without a break in time, except as provided under section 8117(b), unless controverted under regulations of the Secretary”.

SEC. 902. DISABILITY RETIREMENT FOR POSTAL EMPLOYEES.

(a) TOTAL DISABILITY.—Section 8105 of title 5, United States Code, is amended—

(1) in subsection (a), by adding at the end the following: “This section applies to a Postal Service employee, except as provided under subsection (c).”;

and

(2) by adding at the end the following:
“(c)(1) In this subsection, the term ‘retirement age’ has the meaning given under section 216(l)(1) of the Social Security Act (42 U.S.C. 416(l)(1)).

“(2) Notwithstanding any other provision of law, for any injury occurring on or after the date of enactment of the Postal Accountability and Enhancement Act, and for any new claim for a period of disability commencing on or after that date, the compensation entitlement for total disability is converted to 50 percent of the monthly pay of the employee on the later of—

“(A) the date on which the injured employee reaches retirement age; or

“(B) 1 year after the employee begins receiving compensation.”.

(b) PARTIAL DISABILITY.—Section 8106 of title 5, United States Code, is amended—

(1) in subsection (a), by adding at the end the following: “This section applies to a Postal Service employee, except as provided under subsection (d).”;

and

(2) by adding at the end the following:

“(d)(1) In this subsection, the term ‘retirement age’ has the meaning given under section 216(l)(1) of the Social Security Act (42 U.S.C. 416(l)(1)).
“(2) Notwithstanding any other provision of law, for any injury occurring on or after the date of enactment of this subsection, and for any new claim for a period of disability commencing on or after that date, the compensation entitlement for partial disability is converted to 50 percent of the difference between the monthly pay of an employee and the monthly wage earning capacity of the employee after the beginning of partial disability on the later of—

“(A) the date on which the injured employee reaches retirement age; or

“(B) 1 year after the employee begins receiving compensation.”.

**TITLE X—MISCELLANEOUS**

**SEC. 1001. EMPLOYMENT OF POSTAL POLICE OFFICERS.**

Section 404 of title 39, United States Code (as amended by this Act), is further amended by adding at the end the following:

“(d) The Postal Service may employ guards for all buildings and areas owned or occupied by the Postal Service or under the charge and control of the Postal Service, and may give such guards, with respect to such property, any of the powers of special policemen provided under section 1315 of title 40. The Postmaster General, or the designee of the Postmaster General, may take any action that
the Secretary of Homeland Security may take under section 1315 of title 40, with respect to that property.

SEC. 1002. EXPANDED CONTRACTING AUTHORITY.

(a) Amendment to Title 39, United States Code.—

(1) Contracts with air carriers.—Subsection (e) of section 5402 of title 39, United States Code, is amended—

(A) by striking the matter preceding paragraph (2) and inserting the following:

“(e)(1) The Postal Service may contract with any air carrier for the transportation of mail by aircraft in interstate air transportation, including the rates for that transportation, either through negotiations or competitive bidding.”;

(B) by redesignating paragraph (2) as paragraph (4); and

(C) by inserting after paragraph (1) the following:

“(2) Notwithstanding subsections (b) through (d), the Postal Service may contract with any air carrier or foreign air carrier for the transportation of mail by aircraft in foreign air transportation, including the rates for that transportation, either through negotiations or competitive bidding, except that—
“(A) any such contract may be awarded only to—

“(i) an air carrier holding a certificate required by section 41101 of title 49 or an exemption therefrom issued by the Secretary of Transportation;

“(ii) a foreign air carrier holding a permit required by section 41301 of title 49 or an exemption therefrom issued by the Secretary of Transportation; or

“(iii) a combination of such air carriers or foreign air carriers (or both);

“(B) mail transported under any such contract shall not be subject to any duty-to-carry requirement imposed by any provision of subtitle VII of title 49 or by any certificate, permit, or corresponding exemption authority issued by the Secretary of Transportation under that subtitle;

“(C) during the 5-year period beginning 1 year after the date of enactment of the Postal Accountability and Enhancement Act, the Postal Service may not under this paragraph—

“(i) contract for service between a pair or combination of pairs of points in foreign air transportation with—
“(I) a foreign air carrier; or

“(II) an air carrier to the extent that service provided would be offered through a code sharing arrangement in which the air carrier’s designator code is used to identify a flight operated by a foreign air carrier; or

“(ii) tender mail in foreign air transportation under contracts providing for the carriage of mail in foreign air transportation over all (or substantially all, as determined by the Postal Service) of a carrier’s routes or all or substantially all of a carrier’s routes within a geographic area determined by the Postal Service on the basis of a common unit price per mile and a separate terminal price to—

“(I) a foreign air carrier; or

“(II) an air carrier to the extent that service provided would be offered through a code sharing arrangement in which the air carrier’s designator code is used to identify a flight operated by a foreign air carrier, unless—

“(aa) with respect to clause (i) and this clause, fewer than 2 air car-

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riers capable of providing service to
the Postal Service adequate for its
purposes between the pair or combina-
tion of pairs of points in foreign air
transportation offer scheduled service
between the pair or combination of
pairs of points in foreign air transpor-
tation which are the subject of the
contract or tender;

“(bb) with respect to clause (i),
after competitive solicitation, the
Postal Service has not received at
least 2 offers from eligible air carriers
capable of providing service to the
Postal Service adequate for its pur-
poses between the pair of combination
of pairs of points in foreign air trans-
portation; or

“(cc) with respect to this clause,
after competitive solicitation, fewer
than 2 air carriers under contract
with the Postal Service offer service
adequate for the Postal Service’s pur-
poses between the pair or combination
of pairs of points in foreign air trans-
portation for which tender is being made;

“(D) Beginning 6 years after the date of enactment of the Postal Accountability and Enhancement Act, every contract that the Postal Service awards to a foreign air carrier under this paragraph shall be subject to the continuing requirement that air carriers shall be afforded the same opportunity to carry the mail of the country to and from which the mail is transported and the flag country of the foreign air carrier, if different, as the Postal Service has afforded the foreign air carrier; and

“(E) The Postmaster General shall consult with the Secretary of Defense concerning actions that affect the carriage of military mail transported in foreign air transportation.

“(3) Paragraph (2) shall not be interpreted as suspending or otherwise diminishing the authority of the Secretary of Transportation under section 41310 of title 49.”.

(2) Definitions.—Section 5402(a) of title 39, United States Code, is amended by striking paragraph (2) and inserting the following:

“(2) The terms ‘air carrier’, ‘air transportation’, ‘foreign air carrier’, ‘foreign air transportation’, ‘interstate
air transportation’, and ‘mail’ have the meanings given
such terms in section 40102(a) of title 49.”.

(b) Amendments to Title 49, United States
Code.—

(1) Authority of Postal Service to pro-
vide for interstate air transportation of
mail.—Section 41901(a) of title 49, United States
Code, is amended to read as follows:

“(a) Title 39.—The United States Postal Service
may provide for the transportation of mail by aircraft in
air transportation under this chapter and under chapter
54 of title 39.”.

(2) Schedules for certain transpor-
tation of mail.—Section 41902 of title 49, United
States Code, is amended—

(A) by striking subsection (b) and insert-
ing the following:

“(b) Statements on places and schedules.—
Every air carrier shall file with the Secretary of Transpor-
tation and the United States Postal Service a statement
showing—

“(1) the places between which the carrier is au-
thorized to transport mail in Alaska;

“(2) every schedule of aircraft regularly oper-
atated by the carrier between places described under
paragraph (1) and every change in each schedule; and

“(3) for each schedule, the places served by the carrier and the time of arrival at, and departure from, each place.”;

(B) in subsection (e), by striking “(b)(3)” and inserting “(b)”; and

(C) in subsection (d), in the first sentence, by striking “(b)(3)” and inserting “(b)”.

(3) PRICES FOR FOREIGN TRANSPORTATION OF MAIL.—Section 41907 of title 49, United States Code, is amended—

(A) by striking “(a) LIMITATIONS.—”; and

(B) by striking subsection (b).

(4) TECHNICAL AND CONFORMING AMENDMENTS.—Sections 41107, 41901(b)(1), 41902(a), and 41903 (a) and (b) of title 49, United States Code, are amended by striking “in foreign air transportation or”.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect 1 year after the date of enactment of this Act.
SEC. 1003. REPORT ON THE UNITED STATES POSTAL INSPECTION SERVICE AND THE OFFICE OF THE INSPECTOR GENERAL OF THE UNITED STATES POSTAL SERVICE.

(a) In General.—Not later than 1 year after the date of enactment of this Act, the Government Accountability Office shall review the functions, responsibilities, and areas of possible duplication of the United States Postal Inspection Service and the Office of the Inspector General of the United States Postal Service and submit a report on the review to the Committee on Homeland Security and Governmental Affairs of the Senate.

(b) Contents.—The report under this section shall include recommendations for legislative actions necessary to clarify the roles of the United States Postal Inspection Service and the Office of the Inspector General of the United States Postal Service to strengthen oversight of postal operations.

SEC. 1004. SENSE OF CONGRESS REGARDING POSTAL SERVICE PURCHASING REFORM.

It is the sense of Congress that the Postal Service should—

(1) ensure the fair and consistent treatment of suppliers and contractors in its current purchasing policies and any revision or replacement of such policies, such as through the use of competitive contract
award procedures, effective dispute resolution mechanisms, and socioeconomic programs; and

(2) implement commercial best practices in Postal Service purchasing policies to achieve greater efficiency and cost savings as recommended in July 2003 by the President’s Commission on the United States Postal Service, in a manner that is compatible with the fair and consistent treatment of suppliers and contractors, as befitting an establishment in the United States Government.